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LEGISLATIVE HISTORY  
Public Law 90-448  
S. 3497

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## INDEX AND SUMMARY OF S. 3497

- Feb. 26, 1968 Both Houses received President's message on City Problems. H. Doc. 261. Print of document.
- Sen. Sparkman introduced and discussed S. 3029 which was referred to Senate Banking and Currency Committee. Print of bill as introduced and remarks of author.
- Mar. 4, 1968 Sen. Williams, N. J., submitted an amendment to S. 3029. Print of amendment.
- Mar. 12, 1968 Several amendments were submitted. Sen. Proxmire discussed a proposed amendment.
- May 15, 1968 Senate committee reported an original bill, S. 3497. S. Report 1123. Print of bill and report.
- May 23, 1968 Senate made S. 3497 its unfinished business.
- May 24, 1968 Senate began debate on S. 3497.
- May 27, 1968 Senate continued debate on S. 3497.
- May 28, 1968 Senate passed S. 3497 with amendments.
- May 29, 1968 S. 3497 was referred to House Banking and Currency Committee. Print of bill as referred.
- June 19, 1968 Rep. Patman introduced H. R. 17989 which was referred to House Banking and Currency Committee. Print of bill as introduced.
- June 20, 1968 House committee voted to report H. R. 17989.
- June 25, 1968 House committee reported H. R. 17989 without amendment. H. Report 1585. Print of bill and report.
- June 27, 1968 House Rules Committee granted an open rule on H. R. 17989.
- July 1, 1968 House Rules Committee reported resolution for consideration of H. R. 17989. H. Res. 1238. H. Rept. 1603. Print of resolution and report.
- July 8, 1968 House began debate on H. R. 17989.











# **DIGEST** of Congressional Proceedings

## OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE  
WASHINGTON, D. C. 20250  
OFFICIAL BUSINESS

POSTAGE AND FEES PAID  
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE  
FOR INFORMATION ONLY;  
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Issued February 27, 1968  
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### HOUSE

1. HOUSING MESSAGE. Both Houses received the President's message on city problems (H. Doc. 261) (pp. H1306-11, S1621-27). Included in his recommendations were the following: Appropriations to the full level of Congressional authorization--\$2.18 billion--for the anti-poverty program; a proposed Housing and Urban Development Act of 1968, which will "authorize the construction and rehabilitation of 2.35 million housing units with \$2.34 billion of contracting authority



for the first five years of the ten year program" and "offer the American family an alternative to crowded cities and sprawling suburbs, through a program to build new communities;" \$2.5 billion for the Model Cities special grants over the next three years:--\$500 million for fiscal 1969,--\$1 billion each for fiscal 1970 and 1971;" a \$20 million appropriation for urban technology and research; and a proposed New Communities Act of 1968 which will "offer incentives to channel jointly-financed programs for public facilities into the creation of new communities," which incentives "will take the form of an increased Federal share in these programs." Several Members discussed the President's message (pp. H1311-19, H1364, H1377, H1378-~~20~~, S1682-3, S1688, S1703-4, E1149, E1175, E1181-2, E1187-8). <sup>H1376</sup>

Rep. Barrett announced that in order "to expedite the President's legislative proposals, the Subcommittee on Housing has scheduled 3 weeks of hearings beginning March 12 on the President's bill and other housing and urban development bills." p. H1303

2. TRANSPORTATION. Both Houses received the President's message on urban mass transportation (H. Doc. 262) (pp. H1319-20, S1627).
3. SURPLUS PROPERTY. The Government Operations Committee reported S. 805, to amend the Federal Property and Administrative Services Act of 1949 to authorize the Administrator of the General Services Administration, in his discretion, to perform care and handling functions for excess real and related personal property (H. Rept. 1105). p. H1388
4. LANDS. A subcommittee of the Interior and Insular Affairs Committee approved for full committee action H. R. 13176, to authorize the State of Ohio to use the proceeds from the sale of certain lands for educational purposes. p. D122
5. DAIRY PRODUCTS. Rep. McFall stated "it is inconsistent...for the Department of Agriculture to support the prices of milk and dairy products through the price support program, while at the same time, the Department of Defense fails to use available butter and other dairy products in its feeding programs." pp. H1362-3
6. EGGS. Rep. Dow spoke in support of his bill which "is an enabling act which would set up a marketing control in the egg industry only if the producers want it." p. H1377
7. ROADS. Rep. Don H. Clausen inserted testimonies before the subcommittee considering the "authorizations for the Federal aid A-B-C program and the future highway programs in urban and rural areas." pp. H1384-7
8. WATER RESOURCES. Received from the Water Resources Council a proposed bill to amend the Water Resources Planning Act to revise the authorization of appropriations for administering the provisions of the act; to Interior and Insular Affairs Committee. p. H1388

#### SENATE

9. COTTON. A subcommittee of the Agriculture and Forestry Committee ordered reported without recommendation S. 1975 and H. R. 10915, to reduce quota on extra-long staple cotton. p. D120



## HOUSES AND CITIES

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### MESSAGE

FROM

## THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

### A MESSAGE ON HOUSING AND CITIES

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FEBRUARY 26, 1968.—Referred to the Committee of the Whole House on the State of the Union and ordered to be printed

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*To the Congress of the United States:*

The cities that sprang up along the seaports, the river banks and the prairie crossroads of America were built and grew with pride and hope—until the early 20th century.

For several decades, now, the tide has run against the growth, strength and vitality of our cities.

Today, America's cities are in crisis. This clear and urgent warning rises from the decay of decades—and is amplified by the harsh realities of the present.

The crisis has been long in forming. At the turn of the century, Lincoln Steffens told of "the shame of the cities." Jane Addams spoke of "the vast numbers of the city's disinherited."

Powerful forces swept the city after World War II, hastening its erosion.

People who could afford to began moving by the hundreds of thousands to new suburbs to escape urban crush and congestion. Other hundreds of thousands were trapped inside by a wall of prejudice, denial, and lack of opportunity.

They were joined by still thousands more from America's rural heartland—the unskilled and the unprepared, displaced by advances in technology. Their thirst was for opportunity, for jobs, and for a better life. They found instead a mirage: for stripped of its bright lights, the city for them was poverty, unemployment and human misery.

We see the results dramatically in the great urban centers where millions live amid decaying buildings—with streets clogged with traffic; with air and water polluted by the soot and waste of industry



which finds it much less expensive to move outside the city than to modernize within it; with crime rates rising so rapidly each year that more and more miles of city streets become unsafe after dark; with increasingly inadequate public services and a smaller and smaller tax base from which to raise the funds to improve them.

But these problems exist in hundreds of smaller towns and cities across America—towns and cities whose growth is in numbers of people, but not in homes, or jobs, or public services, or schools or health facilities to serve them. The result too often is that these cities grow with decay, human misery, lack of job opportunity and increasingly concentrated poverty.

If the promise of the American city is to be recaptured—if our cities are to be saved from the blight of obsolescence and despair—we must now firmly set the course that America will travel.

There is no time to lose.

### THE PEOPLE OF THE CITY

The human problems of the city are staggering:

- Ghetto youth with little education, no skills and limited opportunity.
- Citizens afraid to walk their streets at night, and justifiably so.
- Negroes, Puerto Ricans and Mexican Americans barred by prejudice from full participation in the city's life.

Illiteracy and disease, a lack of jobs and even dignity itself—these are the problems of the city, just as its tenements, traffic jams and rats are problems.

The city will not be transformed until the lives of the least among its dwellers are changed as well. Until men whose days are empty and despairing can see better days ahead, until they can stand proud and know their children's lives will be better than their own—until that day comes, the city will not truly be rebuilt.

That is the momentous and inescapable truth we face in this hour of America's history.

No single statement or message can embrace the solutions to the city's problems. No single program can attack them.

No one can say how long it will take, or how much of our fortune will eventually be committed. For the problems we are dealing with are stubborn, entrenched and slow to yield.

But we are moving on them—now—through more than a hundred programs, long and short range, making financial commitments of more than \$22 billion to the task.

### THE WORK SO FAR

The last several years have witnessed a remarkable record of legislative achievement—and most of it has borne on the problems of the cities.

We struck down discrimination in job opportunities, public accommodations, and voting in the Civil Rights Acts of 1964 and 1965.

We provided job training for nearly two million disadvantaged men and women who now have the skills to support themselves and their families with dignity and self-respect.

We cut through a century of opposition and controversy to help the poor school child with the Elementary and Secondary Education Act of 1965.

We brought healing and health to the elderly and the poor through Medicare and Medicaid.

We moved to help combat the pollution that poisons a city's air and fouls its waters.

And, with the Economic Opportunity Act of 1964, we finally embarked on a concentrated effort to eliminate poverty in this nation. That landmark measure has helped to change the lives of 6 million Americans.

These programs have brought hope to people in every city and town in America. Children from the slums find a new chance to succeed through Head Start. Poor teenagers earn their first paychecks through a Neighborhood Youth Corps program and stay in school. Needy young men and women, whose talents might once have been their life's frustration, go on to college through Upward Bound. Men find self-respect and good jobs through work training programs. Half a million volunteers are engaged in a mission of service to the destitute of their communities. More than 6 million Americans have been lifted out of poverty.

But almost 29 million citizens still remain in poverty.

If the problems of the city are to be solved, there can be no retreat in the War on Poverty. It must be pressed, with renewed emphasis on the most critical needs of the poor—job opportunities and education for the young, and the chance to join in cooperative self-help efforts to improve their own lives, as well as to participate in the broader community attack on poverty.

Last year the Congress extended the life of the poverty program for two years—but it appropriated only \$1.77 billion, some \$290 million less than we sought.

*For Fiscal 1969, I recommend appropriations to the full level of Congressional authorization—\$2.18 billion—for the anti-poverty program.*

All of these measures help the people who live in our cities.

They are new programs, and only now are they beginning to take hold in improving lives of men, women and children.

With other proposals I have made to Congress this year—for open housing, for safe streets, for gun control, for 500,000 new, private sector job opportunities for the hard-core unemployed, for better education—we can further protect and improve the lot and the life of the city dweller.

Today, however, I want to speak of programs designed especially for our cities—of shelter for its citizens and plans for its revitalization. This message, too, is for men and their families. For our lives are profoundly affected by the environment in which we live, the city in which we work and reside, the home in which we relax and renew our strength.

#### AN EVOLUTIONARY RESPONSE

Five Presidents and fifteen Congresses have forged the Federal response to the problems of housing and urban development.

It began in 1937, when Franklin Roosevelt saw a third of the nation ill-housed. He and the 75th Congress recognized that poor families could not, with their own resources, afford homes on the private market, and that some form of Government help was necessary if they were to have decent shelter. The result was the historic legislation that launched the Public Housing Program.

Twelve years later, with the Housing Act of 1949, President Truman and the 81st Congress started urban renewal and pledged "as soon as feasible . . . a decent home and a suitable living environment for every American family."



In the 1954 Housing Act, President Eisenhower and the 83rd Congress expanded the program of urban renewal.

At the beginning of this decade, President Kennedy and the 87th Congress enlarged the Government's role to bring decent houses into the reach of families with moderate income.

In spite of these strides, when I became President:

- We had a loose collection of federal housing agencies, each operating programs in isolation, not only of each other but also of the federal assistance programs of other departments.
- Urban renewal was demolishing slum housing and dislocating people, but not enough new housing was being built for those forced to relocate.
- There was little interest in the private sector—by builders, architects and engineers—in providing decent shelter for poor families, and the public housing program was stagnated in numbers and in quality.
- Our concern with housing, health care, education, welfare and other social services was fragmented in the local neighborhoods where it counts.

Over the past four years, you in the Congress have approved our proposals to:

- Establish a Department of Housing and Urban Development to bring scattered housing and urban development programs together and give the American city the cabinet role it deserves.
- Begin a new program of Rent Supplements to increase the housing supply for needy families. Built and operated by private enterprise, the portion of rent paid by the Government declines as the tenant's income rises.
- Inaugurate the Model Cities Program, the first effort to attack blight on a massive scale and renovate entire neighborhoods, by providing special supplementary grants to those cities that concentrate the entire array of Federal, state and local programs, from health to housing, in the worst slum neighborhoods.

Even these achievements are not sufficient to deal with the crisis our cities face today. They do provide a base on which the proposals in this message build.

#### THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968

*I propose the Housing and Urban Development Act of 1968—a charter of renewed hope for the American city.*

With this Act, the Nation will set a far-reaching goal to meet a massive national need: the construction of 26 million new homes and apartments over the next 10 years. Six million of these will finally replace the shameful substandard units of misery where more than 20 million Americans still live.

This Act will authorize the construction and rehabilitation of 2.35 million housing units with \$2.34 billion of contracting authority for the first five years of the ten-year program.

Under this legislation, we will in the year ahead:

- Start 300,000 housing units for more than one million citizens who need federal assistance to obtain decent housing. This is triple the rate of this year, and more than half the number built over the last decade.
- Continue to restore the core of our center cities—and with that, improve the lives of nearly 4 million Americans—through the Model Cities Program.



- Summon the talents and energies of private enterprise to the task of housing low-income families through the creation of a federally-chartered private, profit-making housing partnership.
- Make Urban Renewal a more effective instrument for reclaiming neighborhoods, through a new neighborhood development program.
- Add many thousands of construction job opportunities in the inner city.
- Stimulate the flow of private credit for home building in the city by providing flexible interest ceilings on FHA mortgages and transferring the secondary market operations of the Federal National Mortgage Association to private ownership.
- Help American cities develop modern and efficient mass transit systems and services.
- Offer the American family an alternative to crowded cities and sprawling suburbs, through a program to build new communities.
- Improve planning for the orderly development of public facilities for urban areas.
- Establish a base of research, analysis and knowledge of urban areas so we can make better informed decisions about the cities.

#### WHAT IS REQUIRED

To achieve our housing goal, we must move from low to high production.

We can make that shift only if the challenge summons the commitment of

- The capital and mortgage finance markets*, to supply the private funds which are the lifeblood of the construction industry. These funds must flow steadily and in increasing scale.
- The home building industry*, to tap an expanded Federally-assisted market for private low and moderate income sales and rental housing.
- The genius of American business to bring to home building* its skill and resources and the methods of modern technology so that houses can be built faster, less expensively and more efficiently than ever before.
- American labor*, which has pledged to provide the necessary skilled manpower without discrimination.
- Government at all levels*, to improve the working relationships with each other, and with the builders, lenders, and low income families who will be served by this program.
- Most importantly, the Congress.*

First, the Congress must take steps now to insure strong, stable economic growth for the nation as a whole and the home building industry in particular.

Once again I call upon the Congress to pass the anti-inflation tax which I recommended more than a year ago. Soaring interest rates will cripple the homebuilding industry. The temporary surcharge tax legislation can help to keep that from happening.

Second, I urge the Congress to enact the fair housing legislation recommended repeatedly by this Administration.

Third, I urge the Congress to renew, fully fund and strengthen the basic housing and urban development legislation already on the books.

## HOMES FOR AMERICANS

*I urge the Congress to enact a program to provide 300,000 housing starts in fiscal 1969 for the poor, the elderly, the handicapped, the displaced, and families with moderate incomes.*

This program would:

1. *Enable 100,000 low-income families to buy or repair their own homes.*

Home ownership is a cherished dream and achievement of most Americans.

But it has always been out of reach of the nation's low-income families.

Owning a home can increase responsibility and stake out a man's place in his community. The man who owns a home has something to be proud of and good reason to protect and preserve it.

With the exception of the pilot program I began last year, low-income families have been able to get Federal help in securing shelter only as tenants who pay rent.

*Today I propose a program to extend the benefits of home ownership to the nation's needy families.*

Under this program, the broad outline of which has already been set forth in S. 2700, low-income families will be able to buy modest homes financed and built by the private sector. These families will devote what they can reasonably afford—a specified percentage of their income—to mortgage payments, with the Government paying the difference in the form of an interest subsidy. Under this interest subsidy, the Federal Government would pay all but 1 percent of the interest on the mortgage, depending on the income of the homebuyer.

2. *Start 75,000 public housing units, to provide homes for 300,000 Americans.*

The job is to turn authorization to action—by accelerating the processing of applications, by moving quickly from commitment to construction, and by involving private industry fully under the new Turnkey concept.

Under Turnkey, a low-income project can be put up in less than half the time traditionally required for public housing.

Turnkey frees the builder from complicated and cumbersome procedures and stimulates his initiative to develop imaginative and well-designed buildings at lower cost.

We have already extended the Turnkey concept to enable private industry not only to build low-income housing developments, but also to manage them.

Some Public Housing projects built in the past—when the challenge was simply to get units in place—reflect a tasteless conformity, and an indifference to community amenities.

At my direction, the Secretary of the Department of Housing and Urban Development has been working with leading architects and planners to achieve higher design standards for public housing developments. We know new projects can be pleasant places to live, reflecting the needs of human beings, with attention to comfort and convenience.

Our concern must be not only with the quantity of new public housing, but with its quality as well.

*I propose a \$20 million program to promote improved tenant services in public housing developments.*



With these funds, we can enable those who live in public housing to take better advantage of job, health and education opportunities.

We can help and encourage them to become involved, personally and responsibly, in the day-to-day problems of the projects where they live.

3. *Authorize 72,500 units under the Rent Supplement Program to provide shelter for almost 250,000 poor Americans.* In fiscal 1969, 35,000 dwelling units will be started under this program.

This program, which holds so much promise for the poor families of America, has been underfunded by the Congress. Last year, we sought \$40 million in annual payment authority. The Congress granted only \$10 million.

Rent Supplements is a free-enterprise program, strongly endorsed by the home building, real estate, and insurance industries which have responded enthusiastically to this new approach to low-income housing. It contains incentives for escape from poverty, while creating modest, but decent shelter for those in poverty.

If we are to match our concern for the cities with our commitments, this program must be adequately funded.

*I recommend \$65 million in authority for the Rent Supplement Program for Fiscal 1969.*

4. *Begin to build 90,000 rental housing units for 360,000 members of moderate income families.*

A program to provide housing for families with incomes too high to qualify for public housing, but too low to afford standard housing began in 1961.

This is a below market interest rate program known as "221(d)(3)." It serves families earning between \$4,000 and \$8,000 a year.

After 5 years of testing, we are ready now to move this program into full production.

But first we must improve it.

*I recommend legislation to strengthen the financial tools under which the moderate income rental housing program operates.*

Under this legislation, capital financing would be shifted to the private sector, and the Government would increase its support by providing assistance to reduce rents to levels moderate income families can afford.

Now the Government provides financial support for loans at 3 percent interest. Under this new arrangement, the private sector would make loans at market rates. The Government would make up the difference between the market rate of interest and 1 percent. The loans would remain in private hands.

## TO HELP THE NON-PROFIT SPONSOR

Many housing projects are sponsored by non-profit organizations—including church groups, and fraternal orders. In many instances these groups lack the technical and financial know-how which modern construction demands.

Their efforts are in the best interests of this nation, and the nation should help them.

*I propose legislation to provide needed technical assistance and skills to the non-profit sponsors of our housing programs.*

Through grants, loans, and technical assistance, this program will help small private non-profit organizations in our cities. These organizations will then be able to draw quickly upon architects, engineers and financial experts to speed the construction of low income housing.



## THE BLIGHTED NEIGHBORHOOD

### MODEL CITIES

The slum is not solely a wasteland of brick and mortar. It is also a place where hope dies quickly, and human failure starts early and lingers long.

Just as the problem of the slum is many-faced, so must the effort to remove it be many-sided.

The Model Cities program gave us the tools to carry forward the nation's first comprehensive concentrated attack on neighborhood decay.

It was developed by some of the country's foremost planners, industrialists and urban experts.

The program is simple in outline—to encourage the city to develop and carry out a total strategy to meet the human and physical problems left in the rubble of a neighborhood's decay.

That strategy, which Model Cities spurs through special grants, is to bring to a dying area health care services, as well as houses; better schools and education, as well as repaved streets and improved mass transit; opportunities for work, as well as open space for recreation.

This program is now in its early stages. Sixty-three cities are drawing their plans to reclaim the blighted neighborhoods where 4 million Americans live. By this summer, a second group of cities will begin their planning.

Last year, I requested full funding of the amount authorized for Model Cities—\$662 million. But the Congress approved less than half that amount.

To the cities of this land, that cut came as a bitter disappointment.

In the cities' struggle for survival, we dare not disappoint them again. We must demonstrate that they can rely on continued Federal support.

I recommend \$2.5 billion for the Model Cities special grants over the next three years:

—\$500 million for fiscal 1969.

—\$1 billion each for fiscal 1970 and 1971.

In addition, for fiscal 1969 I recommend \$500 million in appropriations for urban renewal solely related to the Model Cities program. This includes full funding for a \$350 million increase in the authorization.

The total funds needed to move the Model Cities program forward in fiscal 1969 are \$1 billion.

I urge the Congress to fund fully this vital request for the people who live in America's worst urban neighborhoods.

### URBAN RENEWAL

Urban Renewal is the weapon that deals primarily with the physical side of removing blight. An essential component of the Model Cities Program, it is a major instrument of reform in its own right.

Last year, nearly 900 American communities were reclaiming inner city land under urban renewal.

Last year, the Congress appropriated \$750 million for Urban Renewal in Fiscal 1969.

*To give communities sufficient lead time for planning, I recommend that the Congress appropriate now \$1.4 billion for fiscal 1970.*

Even at these higher appropriation levels, under existing law Urban Renewal will not operate at sufficient speed to overtake the decay of our cities.

The lag between a community's decision to rebuild a neighborhood and the breaking of ground is far too long. Urgent neighborhood needs go unmet, awaiting the development and approval of a total plan for an entire area.

We must begin now to make urban renewal more immediately responsive to urban needs.

*To apply our resources more quickly, I recommend that Congress authorize a new Neighborhood Development Program under Urban Renewal.*

This legislation would permit detailed planning and execution to proceed segment by segment in an Urban Renewal area. Under existing law, neither demolition nor rehabilitation can begin on any portion of the area to be renewed until it is ready to begin throughout the entire area.

With this Neighborhood Program, cities can start work quickly on the most pressing problems that are to be renewed, with the emphasis on the construction of new and rehabilitated housing.

#### MEETING THE INSURANCE CRISIS OF OUR CITIES

Insurance protection is a basic necessity for the property owner. But for the resident of the city's inner core and the local businessman who serves him, protection has long been difficult to obtain.

The problem has been heightened by civil disorder or its threat.

Last August I established a Special Panel to seek the solutions to this problem. The Panel, headed by Governor Richard Hughes of New Jersey, offered a clear example of how the States, industry and the Federal Government can join in a constructive effort.

The Panel looked deeply into the property owner's dilemma, and reported:

Society cannot erase the suffering of the innocent victims of fire, windstorm, theft, or riot. But it can at least provide the opportunity to obtain insurance to safeguard their capital, and thereby prevent a disastrous occurrence from becoming a permanent tragedy.

The Panel recommended a comprehensive program of mutually supporting actions by the insurance industry, the States, and the Federal Government.

My advisers and I have reviewed the Panel's proposals carefully. We believe they are sound.

Accordingly, I call upon the insurance industry to take the lead in establishing plans in all States to assure all property owners fair access to insurance. These plans will end the practice of "red-lining" neighborhoods and eliminate other restrictive activities. They will encourage property improvement and loss prevention by responsible owners.

I call upon the States to cooperate with the industry and, where necessary, to organize insurance pools and take other steps to cover urban core properties. These measures will assure that all responsible property owners can obtain insurance, and provide a method of spreading equitably throughout the insurance industry risks that no single insurer would otherwise accept.

*I recommend that the Congress establish a cooperative Federal-State-Industry program by chartering a National Insurance Development Corporation within the Department of Housing and Urban Development.*

This Corporation will bring together all those vitally interested in



the inner city insurance problem—members of the public, state insurance regulators and other state officials, insurance industry representatives, and interested Federal agencies.

The Corporation will perform a number of vital functions in support of the actions of private industry and the states to assure adequate property insurance in all areas of our nation's cities.

Through the sale of reinsurance against the risk of civil disorders, the Corporation will marshal the resources of the insurance industry and add to this the backing of the states and the Federal Government. Without this reinsurance, many insurers and state insurance regulators do not believe the industry can move forward to provide adequate property insurance in urban areas.

This program will assist the insurance industry and the States to offer adequate property insurance for the inner cities. Through reinsurance, the program can help the States provide for the contingency of any large emergency losses.

For those companies who participate in this program, *I recommend tax deferral measures, proposed by the Panel, to increase the industry's capacity to insure homes and businesses in the center city.*

This program will encourage insurance companies to increase their reserves to cover unusual losses. Any deferred taxes will be invested in appropriate Government securities, so that no Federal revenues will be lost by the tax deferral unless unusual losses do occur.

Insurance is vital to rebuilding our cities. It is a cornerstone of credit. It can provide a powerful incentive for homeowners and businessmen to rehabilitate their own property and thereby improve the community.

#### THE PRIVATE SECTOR

The Federal role—a quarter of a century in the making—is designed to assure that every citizen will be decently housed.

The Government's concern is to stimulate private energy and local action—to provide capital where needed, to guarantee financing, to offer assistance that encourages planning and construction.

The real job belongs to local government and the private sector—the homebuilder, the mortgage banker, the contractor, the non-profit sponsor, the industrialist who now sees in the challenge of the cities a new opportunity for American business.

All of the programs I have outlined in this message are directed toward the deeper involvement of the private sector. That involvement must match the massive dimension of the urban problem.

What is needed is a new partnership between business and Government. The first outlines of that partnership are already visible.

We see it in:

—The recent undertaking of the American Bar Association to improve the landlord-tenant laws—now more medieval than modern—and to attack other legal problems in our urban centers.

—The commitment of 318 of the nation's life insurance companies to invest \$1 billion of their capital in low-income housing.

Within the next several days, the Savings and Loan Associations and the Mutual Savings Banks of this nation will announce their plans to intensify the investment of their capital for similar purposes.

#### NATIONAL HOUSING PARTNERSHIPS

How can the productive power of America—which has mastered space and created unmatched abundance in the marketplace—be



harnessed to meet the most pressing unfilled need of our society: rebuilding the urban slum?

Last June, I asked a selected Commission of leading industrialists, bankers and labor leaders to study this question. That Commission, headed by Edgar F. Kaiser, has now given me an interim report with many valuable recommendations.

Acting on the Commission's recommendations, *I propose that the Congress authorize the formation of privately-funded partnerships that will join private capital with business skills to help close the low-income housing gap.*

The Kaiser Commission identified three principal reasons why American industry has not yet been attracted to the field of low and moderate-income housing. The problems and the steps proposed to meet them are:

### 1. Concentration of Risk

The profitability of individual housing projects varies widely and the risk of loss on any one project is high. The proposed national partnerships would permit industrial and financial firms to pool their investments and spread their risks over a large number of projects.

### 2. Rate of Return

Substantial operating losses are usually incurred in the first 10 years of a housing project's life to cover operating expenses, interest and depreciation.

By employing the partnership form of organization, which some building owners now use, under existing tax law these operating losses can be "passed through" to each investor, and offset against the investor's other taxable income. This reduces the investor's current income taxes otherwise payable, and makes possible an annual cash return on investment comparable to the average earnings of American business in other manufacturing enterprises.

### 3. Management

The management personnel of major corporations are inexperienced in the field of low-income housing. They cannot afford to devote substantial time to occasional housing ventures.

The proposed national partnerships would be strongly financed organizations, fully committed to long term activity in the single field of housing for the poor. As such, the proposed partnerships should be able to attract top flight management and technical experts on a competitive career basis.

The objective of these partnerships will be to attract capital from American industry and put that capital to work. Their exclusive purpose will be to generate a substantial additional volume of low and moderate-income housing. They will use the best private management talent, planning techniques and advanced methods of construction. They will probe for the savings inherent in the latest technology and in economies of scale.

They will:

- Participate in joint ventures throughout the country in partnership with local builders, developers and investors.
- Join with American labor to open new job opportunities for the very people their projects will house.
- Participate in our existing and proposed federal programs for assisting low and moderate-income housing projects on the same basis as other project sponsors.

This new undertaking will begin with one national partnership. We expect that others will follow as the approach proves itself.

### A NEW ERA IN HOME FINANCING

The supply of credit is not unlimited. The nation's banks, insurance companies, pension funds and other financial sources have an obligation to their depositors and shareholders to seek a fair and competitive return for their investments.

To insure that home financing remains competitive with alternative long-term investment opportunities, I recommend that the Congress:

- authorize the Secretary of Housing and Urban Development to adjust the FHA interest rate ceilings.
- authorize federal insurance of bond obligations issued by private mortgage companies or trusts holding sizeable pools of FHA-insured and VA-guaranteed home mortgages.
- transfer the secondary market operations of the Federal National Mortgage Association to completely private ownership.

### FHA INTEREST RATES

Mortgages insured by the Federal Housing Administration and the Veterans Administration can by law carry no more than a 6 percent interest rate. In today's market this is no longer competitive. In practical terms, the result is the sale of mortgages at substantial discounts.

Discounts require hard cash beyond the normal downpayment. They erode the hard-earned equity of a home-owner and the profit margin of the builder of new housing. For when the rate of return on federally-insured mortgages is less than lending institutions can obtain from other investments, they require property-sellers to absorb discounts. To sell their homes, therefore, sellers realize less than they originally anticipated. And when builders of large projects—with 90% mortgages of \$1 or \$2 million, or more—must find additional hard cash to pay deep discounts, they will defer construction until the cash requirements are reduced.

As a result, many a house goes unsold and many apartment projects go unbuilt in a deep credit squeeze.

To assure a steady flow of funds into homebuilding, *I recommend that the Congress authorize the Secretary of Housing and Urban Development to adjust the FHA interest rate ceilings to reflect the economic realities of the financial markets. I have already recommended a similar adjustment on the interest rates for home loans to veterans.*

### FEDERALLY-INSURED MORTGAGE BONDS

Some private institutional and individual investors have shunned investments in home mortgages because they could realize nearly comparable rates of return in other investments, and avoid the book-keeping and paper work associated with hundreds of individual mortgages.

These pools of savings—in large institutional pension funds, private trusts, and occasionally in individual estates—can be attracted to residential finance. It will take a new, marketable financial investment, with competitive yields and security. Such a bond-type obligation can be created to cover federally-insured mortgages held by private mortgage bankers or trusts.



To enhance the attractiveness of such an obligation to investors, and thus attract additional funds to the housing market, *I recommend that the Congress authorize the Department of Housing and Urban Development to insure mortgage bonds that are secured by pools of FHA-insured and VA-guaranteed mortgages.*

#### FEDERAL NATIONAL MORTGAGE ASSOCIATION

Through the Federal National Mortgage Association, the Federal Government has helped keep mortgage funds flowing by buying mortgages when credit was tight and selling them when money was plentiful.

Today, FNMA is a hybrid, owned in part by private shareholders, in part by the government, but managed by Government officials.

This secondary market operation is largely a private function, which ought to be performed by the private sector—as the Congress has always intended.

*I propose legislation to transfer the secondary market operation of the Federal National Mortgage Association on an orderly basis to completely private ownership.*

This new FNMA, concerned exclusively with providing an increasing and continuous flow of funds into residential financing will close an important gap in the existing network of financial institutions.

This change will not affect the Government's special assistance to selected types of mortgages which are not yet readily accepted in the private market.

#### URBAN TRANSPORTATION

In the modern city the arteries of transportation are worn and blocked. The traffic jam has become the symbol of the curse of congestion.

It was only a few years ago, however, that we recognized this as a national problem. In signing the Urban Mass Transportation Act in 1964, I said:

This is a many sided challenge. We cannot and we do not rely upon massive spending programs as cure-alls. We must instead look to closer cooperation among all levels of government and between both public and private sectors to achieve the prudent progress that Americans deserve and that they expect.

Under this Act, we are

- Aiding cities to draw the blueprints to modernize, expand and reorganize their transportation systems.
- Helping to train specialists in the urban transportation field.
- Advancing research to improve the system and the service.
- Assisting communities to buy the capital equipment and to build terminals for their transit systems.

We must step up this effort.

In the year ahead, we expect to increase our grants to cities from \$140 million to \$190 million.

*I recommend that the Congress provide \$230 million for fiscal 1970 so cities can begin now to plan the improvement of their mass transit systems and service to the people.*

Urban transportation is the concern of our two newest Departments—Housing and Urban Development, and Transportation.

The Department of Housing and Urban Development is responsible for the development of the metropolitan community—and transportation is an essential part of that effort.

The Department of Transportation is responsible for the coordination of different—but closely related—modes of transportation.

Moreover, research facilities bearing on transportation—out of which will come the transportation technology of tomorrow—are concentrated in this Department.

When the Department of Transportation was established in 1966, the Congress required both Secretaries of Housing and Urban Development and Transportation to study this problem and recommend the arrangement which would best assure the Government's ability to meet the transportation needs of America's urban citizens.

On the basis of their intensive study, and their recommendations, *I will shortly submit a reorganization plan*

—*transferring to the Department of Transportation the major urban transit grant, loan, and related research functions now in the Department of Housing and Urban Development.*

—*Maintaining in the Department of Housing and Urban Development the leadership in comprehensive planning at the local level, that includes transportation planning and relates it to broader urban development objectives.*

### RESEARCH AND TECHNOLOGY FOR THE CITIES

Federally-sponsored research has helped us guard the peace, cure disease, and send men into space.

Yet, we have neglected to target its power on the urban condition. Although 70 percent of our people live in urban areas, less than one-tenth of one percent of the Government's research budget has been devoted to housing and city problems.

We must:

—Learn how to apply modern technology to the construction of new low-income homes and the rehabilitation of old ones.

—Test these ideas in practice, and make them available to builders and sponsors.

—Look deep into the fiscal structure of the cities—their housing and building codes, zoning, and tax policies.

—Learn how best the federal government can work with state and local governments—and how states and local governments can improve their own operations.

—Evaluate our city programs, so we can assess our priorities.

Last year, I sought the first major appropriations for urban research: \$20 million. Congress appropriated only half that amount.

*I once again propose a \$20 million appropriation for urban technology and research.* This will assist the universities and private institutions of America to carry out the studies so crucially needed.

These funds, along with those from other Government agencies, will also help launch the new Urban Institute, which I recently recommended. This is a private non-profit research corporation formed to create a bank of talent to analyze the entire range of city problems.

### PLANNING FOR THE FUTURE

A passenger on an airline flying from Miami to Boston is rarely out of sight of city lights below.

As our urban areas expand, the citizen's sense of community broadens. He may live in one locality, work in another and seek leisure in still another.

The face of the landscape is changing with our growth.

The question is: *How shall our communities grow?*

Unless we decide now for order and purpose, the result will be sur-



render to chaos, confusion, ugliness and unnecessary and exorbitant cost.

The key to orderly growth is planning—planning on an area-wide basis.

Planning, both immediate and long-range, is the function and the responsibility of the State and community. But the Federal Government has long recognized the need for its support.

That need grows as the problem grows.

*I urge the Congress to provide \$55 million in Fiscal 1969 to assist planning for the orderly growth of our urban areas, a 22 percent increase over last year.*

So essential is orderly development to the future of our urban centers that we must provide incentives to encourage it. In 1966 the Congress authorized—but did not fund—such a program of incentive grants.

*I ask Congress to authorize \$10 million for a program of area-wide Incentive Grants in Fiscal 1969.*

The Federal share of a project will increase by up to 20 percent of the costs of projects of areawide significance—if they are part of a comprehensive area plan.

The far-sighted community which responds to this incentive program will find its burdens lighter in providing hospitals, roads, sewage systems, schools and libraries.

#### NEW COMMUNITIES

Over the next decade, 40 million more Americans will live in cities.

Where and how will they all live? By crowding further into our dense cities? In new layers of sprawling suburbia? In jerry-built strip cities along new highways?

Revitalizing our city cores and improving our expanding metropolitan areas will go far toward sheltering that new generation. But there is another way as well, which we should encourage and support. It is the new community, freshly planned and built.

These can truly be the communities of tomorrow—constructed either at the edge of the city or farther out. We have already seen their birth. Here in the nation's capital, on surplus land once owned by the Government, a new community within the city is springing up.

In other areas, other communities are being built on farm and meadow land. The concept of the new community is that of a balanced and beautiful community—not only a place to live, but a place to work as well. It will be largely self-contained, with light industry, shops, schools, hospitals, homes, apartments and open spaces.

New communities should not be built in any set pattern. They should vary with the needs of the people they serve and the landscapes of which they are a part.

Challenge and hard work await the founders of America's new communities:

—Careful plans must be laid.

—Large parcels of land must be acquired.

—Large investments in site preparation, roads and services must be made before a single home can be built and sold.

—The development period is long, and return on investment is slow.

—But there is also a great opportunity for, as well as a challenge to, private enterprise.

The job is one for the private developer. But he will need the help of his Government at every level.

In America—where the question is not so much the standard of living, but the quality of life—these new communities are worth the help the Government can give.

*I propose the New Communities Act of 1968.*

For the lender and developer, this Act will provide a major new financing method.

A Federally-guaranteed "cash flow" debenture will protect the investment of private backers of new communities at competitive rates of return. At the same time it will free the developer from the necessity to make large payments on his debts, until cash returns flow from the sale of developed land for housing, shops and industrial sites.

For the local and State government, the Act will offer incentives to channel jointly-financed programs for public facilities into the creation of new communities. The incentives will take the form of an increased Federal share in these programs

### A SENSE OF PLACE AND PURPOSE

"A city," Vachel Lindsay wrote, "is not builded in a day."

Nor—we know well—will its problems be conquered in a day. For the city's tides have been ebbing for several decades. We are the inheritors of those tragic results of the city's decline.

But we are the ones who must act. For us that obligation is inescapable.

Our concern must be as broad as the problems of men—work and health, education for children and care for the sick. These are the problems of men who live in cities. And the very base of man's condition is his home: he must find promise and peace there.

The cry of the city, reduced to its essentials, is the cry of a man for his sense of place and purpose.

Violence will not bring this. But neither should fear forestall it.

The challenge of changing the face of the city and the men who live there summons us all—the President and the Congress, Governors and Mayors. The challenge reaches as well into every corporate board room, university, and union headquarters in America. It extends to church and community groups, and to the family itself. The problem is so vast that the answer can only be forged by responsible leadership from every sector, public and private.

We dare not fail to answer—loud and clear.

To us, in our day, falls the last clear chance to assure that America's cities will once again "gleam, undimmed by human tears."

No one can doubt that the hour is late.

No one can understate the magnitude of the work that should be done.

No one can doubt the costs of talk and little action.

As we respond to the cities problems—to the problems caused by the accumulated debris of economic stagnation, physical decay and discrimination—let us recall and reaffirm the reasons for our national strength: unity, growth and individual opportunity.

And recalling these truths, let us go forward, as one nation in common purpose joined, to change the face of our cities and to end the fear of those—rich and poor alike—who call them home.

LYNDON B. JOHNSON.

THE WHITE HOUSE, February 22, 1968.



**Section 1237. General powers of corporation**

This section sets forth the general corporate powers of the Corporation; including the power to have a corporate seal; to sue and be sued (and that all suits of a civil nature in which the Corporation is a party shall be deemed to arise under the laws of the United States); to enter into and perform contracts, leases and other agreements without competitive bidding; to employ a staff; to issue such rules and regulations as the Corporation deems necessary or appropriate to carry out the title; and to exercise all powers specifically granted by this title and such incidental powers as are necessary to carry out the title.

**Section 1238. Services and facilities of other agencies—Utilization of personnel, services, facilities and information**

This section authorizes the Corporation, with the consent of the agency concerned, to utilize the personnel and information of any agency of the Federal Government on a reimbursable basis and to obtain data relating to matters within the jurisdiction of the Corporation from any agency having custody of such data without reimbursement, to the extent permitted by law.

**Section 1239. Finality of certain transactions**

This section provides that any financial transaction of the Corporation relating to reinsurance under the title shall be final and conclusive on all officers of the United States.

**Section 1240. Taxation**

This section exempts the Corporation from taxation by any local or State government and the Federal Government, except on real property acquired as a result of reinsurance. Real property may be taxed by a State or political subdivision thereof, to the same extent, according to the value of the property, as other real property in the State is taxed.

**Section 1241. Annual report**

This section requires the Secretary to include in his annual report a report on the operation of the Corporation.

**Section 1242. Appropriations**

This section authorizes such appropriations as may be necessary to carry out the title.

**Section 4. Financing**

This section of the bill amends section 520(b) of the National Housing Act to authorize payments by the Secretary for property losses reinsured under title XII of the Act.

**Section 5. Government Corporation Control Act**

This section defines the National Insurance Development Corporation as a wholly-owned government corporation under the Government Corporation Control Act.

**Section 6. Compensation of Executive Director**

This section provides for compensation of the Executive Director of the National Insurance Development Corporation at the rate prescribed for Level IV of the Federal Executive Salary Schedule.

**GENERAL EXPLANATION OF THE NATIONAL INSURANCE DEVELOPMENT CORPORATION ACT OF 1968**

The bill would implement the recommendations of the Report by the President's National Advisory Panel on Insurance in Riot-Affected Areas, entitled *Meeting the Insurance Crisis of our Cities*. It would add a new title XII to the National Housing Act, "National Insurance Development Corporation".

The bill would create a National Insurance Development Corporation (NIDC) in the Department of Housing and Urban Development. The Corporation would be managed under the supervision of the Secretary

by an Executive Director appointed by the President, by and with the advice and consent of the Senate. A nineteen-member Advisory Board, appointed by the President, would meet periodically to advise on the general policies of the Corporation. The members of the Advisory Board could include members of the public, insurance industry representatives, and State and Federal officials. Operation of the Corporation would be limited to five years.

The bill is designed to meet two serious and urgent problems confronting owners of residential and business properties in urban areas of the Nation by authorizing new programs to improve the availability of property insurance. A major problem, of critically growing proportions, is the limited availability of fire and extended coverage, and insurance against vandalism and malicious mischief and burglary and theft in the core areas of our Nation's cities. In many cases, private insurance companies have considered it uneconomic to provide these lines of insurance in certain areas, regardless of the condition of the individual risk. The bill would authorize the National Insurance Development Corporation to encourage the private property insurance industry to cooperate with State insurance authorities, in developing statewide plans to assure all property owners fair access to property insurance.

A second, and related, insurance problem requiring urgent attention has been precipitated by recent riots and civil disorders in urban areas across the Nation. The amount of losses which the property insurance industry has paid on riot and civil commotion coverage raises the serious question as to whether the industry will continue to provide this coverage, or indeed any insurance coverage, in certain areas of the Nation's cities. To meet this problem, the bill would authorize the NIDC to offer reinsurance in order to provide continuity of private insurance coverage, and thus prevent a credit crisis of serious national proportions which would arise if insurance coverage were withdrawn in urban areas.

Riot losses would be shared first by the private insurance companies and then by the separate States in which riot losses may occur. The Federal Government, through the NIDC, would reinsure the balance of insured losses from riots and civil disorders.

**STATEWIDE PROPERTY INSURANCE PLANS**

Part A of the new title XII provides for statewide plans to assure Fair Access to Insurance Requirements (FAIR Plans).

Owners of homes and businesses in sections of center cities frequently find it impossible to purchase important insurance protection. Without insurance coverage against major perils, banks and other lending organizations will not extend credit for the purchase and improvement of real property, and the financing of business inventories. Consequently, property cannot be maintained and business cannot be conducted; the result is that property deteriorates and business, particularly small business, stagnates.

Owners of well-maintained properties and businesses have complained that individual insurance risks have not been considered on their respective merits, but instead have been denied insurance merely because of the location of the property in a particular neighborhood or section of a community. Without insurance responsible owners lose incentive to maintain their property. Families and businesses move out and a blighted area develops and grows.

The bill would meet the lack of fire and extended coverage, and coverage against vandalism and malicious mischief and burglary and theft by encouraging State insurance commissioners and the property insurance industry to cooperate in developing statewide property insurance plans to improve access

to these coverages. Similar plans of limited range—principally for making fire and extended coverage available on residential properties in specified areas—have been introduced by the private property insurance industry in a dozen or so communities.

The new plans would require measures for inspecting risks for fire and extended coverage not only on residential, but also on commercial and other properties in urban areas. In addition, the plans would provide inspections to obtain vandalism and malicious mischief and burglary and theft insurance on these properties. The plans also call for a cooperative all-industry facility which would place insurance in the regular market.

Including vandalism and crime insurance in the statewide plans will offer property owners an opportunity to purchase these important coverages. Although the urban core poses special problems for the crime insurance underwriter, the plans should encourage the industry to focus more attention on loss prevention and policy design, and should make this coverage more economical.

The criteria for "FAIR" plans are specified in the bill. The State insurance authorities would have the responsibility to review the operation of the plans and report periodically to the Corporation on their effectiveness in improving the market for property insurance coverage.

Under such plans, property owners could not be charged more than the standard rate or be denied essential insurance coverages unless there has first been a physical inspection of the property. If an inspection discloses that the risk is not insurable because of physical hazards on the premises or other deficiencies, the owner would be advised by the company or its representative of the specific measures which must be taken to meet reasonable underwriting standards. If such measures are taken, the property would be eligible for insurance and, if necessary, the statewide placement facility would try to place such insurance with a private company or companies.

In some cases the owner of an otherwise insurable property cannot now obtain insurance because of environmental hazards not under his control—for example, a neighboring "fire trap." The statewide placement facility should be able to distribute equitably these risks throughout the industry. Where a substantial number of these properties make this approach impractical, however, it is expected that within two years after enactment of the bill insurers will form pools to accept these risks.

The incentive to insurance companies to cooperate with State insurance authorities and the Corporation in developing and carrying out these plans is the program of reinsurance to be offered on a State-by-State basis.

**REINSURANCE COVERAGE**

Part B of the new title contains authority for the new reinsurance program.

Much of the property damage to residences and businesses from recent riots in cities across the Nation was protected by insurance against loss from riot and other civil commotion. Insurance companies which offer various lines of property insurance customarily reinsure against abnormally high losses from various perils, including riot and other civil commotion, with organizations specializing in reinsurance. Insurance claims for losses in riot-struck cities have been paid by primary property insurers, in part, from such reinsurance.

So long as the insurance industry believes that the threat—however remote—of the catastrophic riot and civil commotion losses continues, reinsurers cannot reasonably be expected to offer such protection except at prohibitive cost which the insurance-buying public would be expected to bear. If losses continue, reinsurers might even withdraw from the market altogether.



The consequences of either market development would be critical to the national economy. Without reinsurance, primary insurers cannot continue to provide riot and civil commotion protection in the various lines of insurance, and may seek to cancel policies currently in force or, since most policies are short-term, refuse to renew them when they expire. Without property insurance coverage, banking and other lending organizations would refuse to extend credit.

The bill would meet this threat to the economy by authorizing a reinsurance program through the National Insurance Development Corporation, with appropriate loss-sharing by insurers, the States, and the Federal Government. Reinsurance would be offered to insurance companies in each State for the riot and civil commotion peril in all lines of property coverage. Agreements would be entered into between the Corporation and the insurance company, prescribing the terms and conditions for the reinsurance.

Companies would pay premiums to the Corporation for such reinsurance. Premium rates would be negotiated, from time to time, between the Corporation and the private property insurance industry. Under the bill the first year premiums should provide sufficient income to cover a level of riot losses greater than those in 1967.

Reinsurance losses would be shared among the companies, the States, and the Corporation. In the event losses in a State exceed the amount of losses which the companies would assume under reinsurance agreements, and the amount of losses assumed by the State, then the Corporation would reimburse the Companies for the balance.

The retention of losses by the companies might be as follows: Assume that in State X, the total insured claims for losses from riot and civil disorders by companies doing business in the State in a given calendar year amounted to \$45 million. Assume that policy premiums earned by all companies in a State X on all lines of property insurance amounted to \$150 million, and further, that premiums earned by all companies on re-insured lines in such State in that year amounted to \$100 million.

The bill authorizes the specific terms of reinsurance arrangements (including company retentions of loss and percentage sharing) to be negotiated from time to time between the Corporation and private companies. However, the typical arrangement might involve two features: (1) an initial retention of losses, equal to a percentage of premiums earned in a State on lines re-insured, plus (2) the assumption of an additional percentage of total losses, above and beyond the initial retention.

For illustrative purposes, the first percentage might be assumed to be 3 percent. Applied against premiums earned, this would amount to \$3 million (\$100 million  $\times$  3%). If the second percentage is assumed to be 10 percent, this would amount to \$4.2 million (\$42 million  $\times$  10%; \$42 million equals \$45 million, less \$3 million). The private insurance companies' retention of riot losses would be the sum of \$3 million (initial retention) plus \$4.2 million (override), or \$7.2 million, to be paid from their own resources.

The State's share of the reinsurance losses might be illustrated by an extension of the foregoing example. Under the bill, the "ceiling" for any State's share would be 5 percent of total premiums earned by the insurance companies on all property lines in that State. Such sharing, however, would not be required unless reinsured losses in a State exceeded the sum of (1) the premiums paid by the insurance industry for reinsurance in that State, and (2) the companies' retained losses.

Assuming that premiums for reinsurance paid by companies in the State in a calendar

year would be 2 percent of earned premiums on all reinsured lines in the State, this would amount to \$2 million (\$100 million  $\times$  2%). To arrive at the State "sharing" point, the losses retained by the companies would be added to this amount. The sum of these two amounts is \$9.2 million (\$2 million plus \$7.2 million). Since total riot losses exceed this amount, in the example (i.e. \$45 million), the State's share would be \$7.5 million (premiums earned by all companies in the State on all lines of property insurance, or \$150 million  $\times$  5%).

There would remain yet to be paid \$30.3 million, the amount to be paid by the Corporation, from premiums received from companies for reinsurance in other States.

#### FINANCING

Under the bill, it is intended that the reinsurance program would be self supporting, drawing on reinsurance premiums for any losses that might be incurred.

If, however, riot losses throughout the Nation resulted in reinsurance claims in excess of the aggregate amount of premiums received by the Corporation from reinsurance, the excess would be paid with funds borrowed from the Treasury. These funds would, in turn, be repaid from future reinsurance premiums.

#### STUDY AND REPORT TO CONGRESS

Part C of the new title, in addition to containing general provisions, directs the Corporation to conduct a study and to make a report for transmission by the Secretary to the President and the Congress within one year on reinsurance and other means to assure an adequate market for property insurance in urban areas. In this study, the Corporation would consider the feasibility of offering reinsurance against such perils as exposure hazards from neighboring properties, the risk of crime losses, and default on contractors' surety bonds—in addition to riots and civil disorders.

### S. 3029—INTRODUCTION OF HOUSING AND URBAN DEVELOPMENT ACT OF 1968

Mr. SPARKMAN. Mr. President, I introduce the administration's proposed Housing and Urban Development Act of 1968, to implement the recommendations made by the President in his message on cities. I have just received this bill and, consequently, I have not had the opportunity to study it in depth. As usual, I am sure it contains proposals that are good, and which I can support, and some which I may not be able to support.

Nevertheless, I said last week that the President's message was a timely one. The problems of our towns and cities are national problems affecting all of us whether we live in the city or in the country. The administration's recommendations are designed to deal with this national problem.

Last year, the Subcommittee on Housing and Urban Affairs, and the Committee on Banking and Currency, worked tirelessly and long in an effort to develop a program that would help make it possible for more low-income families to own their homes. A program was developed and approved. The committee bill, S. 2700, is now on the Senate Calendar and includes many of the provisions recommended by the President. In view of what has already been done, I am hopeful that the committee may be able to dispose of that part of the administration's bill covered by S. 2700 quickly.

Mr. President, I ask unanimous consent that a section-by-section summary of the administration's Housing and Urban Development Act of 1968 be included in the RECORD at this point in my remarks.

The VICE PRESIDENT. The bill will be received and appropriately referred; and, without objection, the section-by-section summary will be printed in the RECORD.

The bill (S. 3029) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development, introduced by Mr. SPARKMAN, was received, read twice by its title, and referred to the Committee on Banking and Currency.

The section-by-section summary, presented by Mr. SPARKMAN, is as follows:

#### SECTION-BY-SECTION SUMMARY OF HOUSING AND URBAN DEVELOPMENT ACT OF 1968

##### TITLE I—LOW AND MODERATE INCOME HOUSING *Homeownership for low and moderate income families*

Section 101. Subsection (a) would add a new section 235 to the National Housing Act to establish a homeownership assistance program for low and moderate income families. The assistance would be provided in the form of periodic payments to the mortgagee which would serve to reduce interest costs on a market rate home mortgage or a cooperator's share of a cooperative association's mortgage. In addition, the provisions of the present section 221(h) of the National Housing Act would be incorporated into the new section and the nonprofit organization sponsoring the project, as well as the individual lower income purchasers, would be eligible to receive the benefits of assistance payments.

The homeowner would be required to pay 20 percent of his monthly income toward the monthly payment due under the mortgage for principal, interest, taxes, insurance, and mortgage insurance premium. The difference between this amount and the total monthly payment required under the mortgage would be made up by the assistance payments. However, in no event could the amount of the assistance payment exceed the difference between the required monthly payment under the mortgage for principal, interest, and mortgage insurance premium and that amount which would be required for principal and interest if the mortgage bore interest at a rate of 1 percent. In addition, the Secretary could reimburse the mortgagee for its expenses in handling the mortgage.

To qualify for assistance payments, a family would have to be of low or moderate income whose income could not exceed limits prescribed by the Secretary. Family incomes of homeowners would be recertified at least every 2 years for the purpose of adjusting assistance payments. In calculating family income, a deduction of \$200 would be made for each minor child in the household, and earnings of minor children would not be included in family income.

Mortgages under this section would generally meet the requirements of either section 221(d)(2) sales housing for low and moderate income housing, section 234 condominium housing, section 213 cooperative housing, or the provisions of section 221(h) incorporated into this section. In addition, families eligible for insurance under the above sections (except section 213), but who must obtain insurance under section 237 (proposed by section 102 of the bill) because of their credit or income ratings, would also be eligible for assistance payments under this section.

Assistance payments would generally be made only with respect to newly constructed



or substantially rehabilitated units. However, a mortgage involving existing single family or condominium housing could be insured under this section, where it involved (1) a tenant occupying a unit in a rental project covered by a mortgage insured under section 236 (proposed by section 201 of the bill) or occupying a unit in a rent supplement project and wishing to purchase his unit; (2) displacees; (3) families occupying low-rent public housing; and (4) families with five or more minor children.

The amount of the mortgage would be limited to \$15,000 (\$17,500 in high-cost areas), except that in the case of families with five or more persons the limits would be \$17,500 and \$20,000, respectively. In order to prevent the price of a dwelling being unnecessarily increased because of the availability of assistance payments, the Secretary would be required to prescribe regulations to assure that the consideration paid for homes under this program is not increased above their appraised value. These mortgages would be insured under the new Special Risk Insurance Fund proposed by section 104 of the bill.

Contracts for assistance payments would be authorized, subject to approval in appropriation acts, in the amount of \$75 million annually prior to July 1, 1969, which amount may be increased by \$100 million on July 1, 1969, by \$125 million on July 1, 1970, by \$150 million on July 1, 1971, and by \$150 million on July 1, 1972.

Assistance under this new section 235 would be available in both urban and rural areas. However, insofar as the administration of this section in rural areas is concerned, the Secretary will assign to the Secretary of Agriculture necessary authority, along with appropriate transfer of funds, for the implementation thereof as agreed upon by the two Secretaries. Section 513 of the Housing Act of 1949 would be amended by section 1003 of the bill to authorize appropriations to pay for Agriculture's administrative expenses in connection with any such assignment.

*Subsection (b)* would increase the mortgage limits on single family dwellings under section 221(d)(2) of the National Housing Act to correspond to the limits provided in section 235. This subsection would also permit a mortgagor under section 221(d)(2) (and, therefore, also one under section 235) to contribute the value of his labor to the acquisition cost of his dwelling.

*Subsection (c)* would prohibit the insurance of any blanket mortgage under section 221(h) of the National Housing Act after the effective date of this section, except pursuant to a commitment issued prior to that date. It would also permit mortgages on the individual units sold by a nonprofit organization holding a blanket mortgage under section 221(h) to be insured under section 235 with assistance payments.

*Subsection (d)* would amend section 212 of the National Housing Act to make the labor standards of that section applicable to blanket mortgages held by nonprofit organizations insured under section 235 to the same extent as now applicable to such mortgages insured under section 221(h) of such Act.

*Subsection (e)* would authorize the Secretary to provide, either directly or by contract, budget, debt management, and related counseling to homeowners with mortgages insured under section 235.

#### *Credit assistance*

*Section 102.* Would add a new section 237 to title II of the National Housing Act to authorize mortgage insurance for families of low and moderate income who cannot qualify for mortgage insurance under regular FHA programs because of their credit histories or irregular income patterns, but who the Secretary finds are "reasonably satisfactory" credit risks and capable of homeownership with the assistance of budget, debt management, and related counseling provided by

the Secretary. Mortgage insurance under this program would have to meet the requirements (other than credit and income requirements) under certain regular FHA single family sales programs, except that the principal obligation of the mortgage could not exceed \$15,000 (\$17,500 in high-cost areas) and the mortgagor could not undertake a mortgage which, in combination with local real estate taxes, required monthly payments which exceeded 25 percent of the mortgagor's income. These mortgages would be insured under the new Special Risk Insurance Fund (proposed by section 104 of the bill). The Secretary would be authorized to provide, either directly or by contract, budget, debt management and related counseling services to these mortgagors. A conforming amendment would be made to section 226 of the National Housing Act to require that the home purchaser be furnished a copy of the FHA appraisal of the property, prior to the sale of the property, for homes insured under both this section and the new section 235 (proposed by section 101 of the bill).

#### *Relaxation of mortgage insurance requirements in certain urban neighborhoods*

*Section 103.* Would amend section 223 of the National Housing Act by adding a new subsection (e) to give FHA a more flexible authority in providing financing for the repair, rehabilitation, construction, or purchase of properties located in older, declining urban areas by authorizing FHA to accept for insurance mortgages on properties which may not, because of the areas in which they are located, be able to meet all the normal eligibility requirements for insurance. Such mortgages could be accepted for insurance where FHA is able to establish that the areas are reasonably viable, giving consideration to the need for providing adequate housing for families of low and moderate income in such areas and that the properties are an acceptable risk in view of such consideration. This section replaces an older provision (section 203(1)) which is limited to sales housing in riot-prone areas and which is repealed.

#### *Special risk insurance fund*

*Section 104.* Would add a new section 238 to title II of the National Housing Act to establish a "Special Risk Insurance Fund", which fund is not intended to be actuarially sound and out of which claims would be paid on mortgages insured under the new sections 235—homeownership assistance (proposed by section 101 of the bill); 236—assistance for rental and cooperative housing (proposed by section 201 of the bill); and 237—credit assistance (proposed by section 102 of the bill); as well as those mortgages insured pursuant to the authority contained in the amendment to section 223 (properties in older, declining urban areas) proposed by section 103 of the bill. Payments on claims would be made in cash or debentures and could be in an amount equal to the unpaid principal balance of the loan plus any accrued interest and any advances made by the mortgagee with the approval of the Secretary and under the provisions of the mortgage. Income such as insurance premiums and service charges in connection with these programs would be deposited in the new fund. To establish the fund, the Secretary would be authorized to advance to the fund \$5 million from the General Insurance Fund. This advance would be repayable at such times and at such interest rates as the Secretary deemed appropriate. Appropriations to the fund would be authorized to cover any losses sustained by the fund in carrying out the mortgage insurance obligations of these sections.

#### *Condominium and cooperative ownership for low and moderate income families*

*Section 105.* Would amend section 221 of the National Housing Act by adding new subsections (i) and (j) to permit section 221(d)

(3) below-market interest rate rental projects to be converted to condominium or cooperative ownership.

Under the new subsection (i), a low or moderate income purchaser could purchase an individual family unit and an undivided interest in the common areas and facilities of the project at a price not in excess of the appraised value of the property. The purchase could be financed with a mortgage which bears an interest rate no less than the below-market interest rate in effect with respect to 221(d)(3) projects at the time the commitment to insure the mortgage is issued. The mortgage would contain a provision permitting the Secretary to increase the interest rate, up to the maximum permissible under section 221 at the time the mortgage commitment was issued, upon determination that the mortgagor's annual income had increased to an amount permitting payment of a greater rate of interest. If the original mortgagor ceases to occupy the property, the rate would also increase to the highest rate permissible at the time of commitment, unless the property is sold to a nonprofit purchaser approved by the Secretary or to a low or moderate income purchaser whose income is within the limits established for occupancy in a below-market interest rate project insured under section 221(d)(3).

Under the new subsection (j), a cooperative, with membership open only to low and moderate income families meeting income limits prescribed for section 221(d)(3) below-market interest rate projects, could purchase the project for an amount not exceeding the appraised value of the property for continued use as a cooperative at the below-market interest rate in effect at the time the commitment to insure the mortgage is issued.

#### *Assistance to nonprofit sponsors of low and moderate income housing*

*Section 106. Subsection (a)* would authorize the Secretary of HUD to undertake a program of assistance to nonprofit sponsors of low and moderate income housing. Activities could include the provision of information and technical assistance with respect to the construction, rehabilitation, and operation of low and moderate income housing.

*Subsection (b)* would provide financial assistance, in the form of 80 percent interest-free loans, to cover certain preconstruction costs of such nonprofit sponsors in connection with their low or moderate income housing undertakings under federally assisted programs. The loans could cover such items as market surveys, architectural and engineering fees, land options, and application and commitment fees. There would be established a \$7.5 million revolving fund to be used by the Secretary to make these loans. These loans would normally be repaid when the project is permanently financed, but the Secretary would be authorized to cancel any part of a loan which could not be recovered from the proceeds of the permanent loan.

#### **TITLE II—RENTAL HOUSING FOR LOW AND MODERATE INCOME FAMILIES**

##### *Part A—Private housing*

#### **Rental and Cooperative Housing for Low and Moderate Income Families**

*Section 201. Subsection (a)* would add a new section 236 to the National Housing Act to establish an assistance program for rental and cooperative housing for low and moderate income families. The assistance would be provided in the form of periodic payments to the mortgagee on behalf of the mortgagor which would serve to reduce interest costs on a market rate project market. In addition, the Secretary could reimburse the mortgagee for its expenses in handling the mortgage.

The interest reduction payments would reduce payments on the project mortgage from what would be required on a market rate mortgage to what would be required on a mortgage bearing an interest rate of 1 percent.



The interest reduction payments would reduce rentals to a basic charge, and a tenant or cooperative member would either pay the basic charge or such greater amount as represented 25 percent of his income, but not in excess of the charges which would be necessary without any interest reduction payments. Income of tenants would be reexamined at least every two years for the purpose of adjusting rentals. Rental charges collected by the project owner in excess of the basic charges would be returned to the Secretary for deposit in a revolving fund for the purpose of making other interest reduction payments.

To qualify for mortgage insurance under this section, a mortgagor would have to be a nonprofit organization, a cooperative, or a limited dividend entity of the types permitting under section 221(d)(3) of the National Housing Act. In addition the mortgage limitations with respect to maximum mortgage amount and the amount of the mortgage attributable to each dwelling unit would be the same as those mortgages insured under section 221(d)(3). The project could include such nondwelling facilities as the Secretary deemed adequate and appropriate to serve the occupants of the project and the surrounding neighborhood, as long as the project was predominantly residential and any nondwelling facilities contributed to the economic feasibility of the project, with due consideration being given to the possible effect of the project on other business enterprises in the community. Where a project was designed primarily for occupancy by elderly or handicapped families (as defined in section 202 of the Housing Act of 1959), it could include related facilities for use of such families, such as dining, work, recreation, and health facilities. The mortgages would be insured under the new Special Risk Insurance fund established by section 104 of the bill.

To be eligible for occupancy in a project, a family would have to be of low or moderate income under standards prescribed by the Secretary. Individuals of low or moderate income under 62 years of age would be eligible for occupancy in a project, as long as no more than 10 percent of the dwelling units in the project were so occupied. With approval of the Secretary, a mortgagor could sell the individual dwelling units to low and moderate income purchasers, including elderly or handicapped, and these purchasers would be eligible for individual assistance payments under the provisions of the new section 235 (proposed by section 101 of the bill).

A provision is included to enable a cooperative or private nonprofit corporation or association to purchase a project from a limited dividend mortgagor and to finance the purchase with a mortgage insured under this section. In such case, the Secretary is authorized to insure the purchaser's mortgage in an amount not exceeding the appraised value of the property at the time of purchase, thereby making it possible for the cooperative or nonprofit organization to borrow, under a single mortgage, the funds needed to obtain ownership, while enabling the limited dividend seller to realize a net amount out of the sales proceeds sufficient to recover its cash investment and to retire the outstanding mortgage.

Contracts for assistance payments would be authorized, subject to approval in appropriation acts, in the amount of \$75 million annually prior to July 1, 1969, which amount may be increased by \$100 million on July 1, 1969, by \$125 million on July 1, 1970, by \$150 million on July 1, 1971, and by \$150 million on July 1, 1972.

As under the new section 235 (proposed by section 101 of the bill), assistance under this new section 236 would be available in both urban and rural areas. However, insofar as the administration of the section in

rural areas is concerned, the Secretary will assign to the Secretary of Agriculture necessary authority, along with appropriate transfer of funds, for the implementation thereof as agreed upon by the two Secretaries. Appropriations would also be authorized, pursuant to section 1003 of the bill, to pay for Agriculture's administrative expenses in connection with any such assignment.

Subsection (b) would amend section 212 of the National Housing Act to make the labor standards of that section applicable to section 236 projects and would amend section 227 of such Act to make cost certification requirements applicable to section 236 projects.

Subsection (c) would authorize the insurance on mortgages covering projects for low and moderate income families under section 221(d)(3) of the National Housing Act which have been approved for a below-market interest rate to be transferred, prior to final endorsement, to section 236.

Subsection (d) would authorize projects for the elderly or handicapped approved for loans under section 202 of the Housing Act of 1959 to be refinanced under section 236 at any time up to, or a reasonable time thereafter, project completion.

Subsection (e) would amend section 101 of the Housing and Urban Development Act of 1965 to authorize rent supplement benefits for tenants in a section 236 project, but limited to no more than 20 percent of the units in any one project.

#### Increased Authorization for the Rent Supplement Program

Section 202. Makes available an additional \$40,000,000 in contract authority for rent supplement payments in fiscal year 1970, plus an additional \$100,000,000 in contract authority in each of the fiscal years 1971, 1972, and 1973.

#### Part B—Low-rent public housing Increased Low-Rent Public Housing Authorization

Section 203. Would amend section 10(e) of the United States Housing Act of 1937 to increase the authorization for annual contributions contracts for the low-rent public housing program by \$100 million on the date of enactment and by \$150 million on July 1 in each of the years 1969 and 1970, and by \$200 million on July 1 in each of the years 1971 and 1972.

Would also amend section 20 of such Act to modify the method of computing HUD's use of borrowing authority under the program.

#### Upgrading Management and Services in Public Housing Projects.

Section 204. Would add a new paragraph to section 15 of the United States Housing Act of 1937 to authorize the Secretary of HUD to enter into grant contracts with local housing authorities to assist them, where necessary, in upgrading their management activities and providing tenant services to families living in low-rent housing projects, and would authorize appropriations in an amount not to exceed \$20,000,000 in fiscal year 1969 and such amounts in subsequent fiscal years as may be necessary for this purpose.

#### Purchase of Units by Tenants

Section 205. Would amend section 15(9) of the United States Housing Act of 1937 to broaden existing law to permit local housing authorities to sell any low-rent housing unit to a tenant if such unit is suitable for individual ownership. Existing law permits tenants to purchase only detached or semi-detached units.

#### Public Housing in Indian Areas

Section 206. Would amend section 1 of the United States Housing Act of 1937 to permit public housing assistance for Indian families without regard to the present limitation that

such a family may not live on property located on or adjacent to their farm land.

#### TITLE III—FHA INSURANCE OPERATIONS

##### *Mortgage insurance premiums for servicemen and their widows*

Section 301. Would amend section 222 of the National Housing Act to permit payment of FHA mortgage insurance premiums by the Secretary of Defense or the Secretary of Transportation in cases where a serviceman assumes a home mortgage previously insured under any other provision of the National Housing Act. Under present law, a serviceman may receive this benefit only when he purchases a home and places a new mortgage on it under the provisions of section 222.

Would also direct the Secretary of Defense or the Secretary of Transportation to continue making the premium payments on behalf of the widow of a serviceman who dies in the service for 2 years after his death or until she sells the house, whichever occurs sooner. The Secretaries would be directed to promptly notify the widow of the increased cost she would have to bear upon the termination of the payment of the insurance premium at the end of the 2-year period.

##### *Flexible interest rates for mortgage insurance programs*

Section 302. Would authorize the Secretary of HUD to establish the interest rates on all FHA mortgage insurance programs, except for the land development program (which has no statutory ceiling) and the below-market interest rate programs provided for under sections 221(d)(3) and (h), without regard to any present limitations set out in the National Housing Act. The Secretary would be authorized to set these rates at such levels as he finds necessary to meet the mortgage market.

##### *Modifications in terms of insured mortgages covering multifamily projects*

Section 303. Would add a new section 239 to the National Housing Act to require the Secretary of HUD to approve a request for the extension of time for curing a default on any FHA multifamily mortgage or for a modification of the terms of such a mortgage only pursuant to regulations prescribed by him. Under such regulations, the mortgagor would have to agree to place in trust any income or funds derived from the project in excess of what is required to meet actual and necessary operating expenses. The Secretary could provide for granting such consent in any case or class of cases, without regard to the requirements of the regulations, where he determined such action would not jeopardize the interests of the United States. Any knowing and willful misdistribution of the rents or other income received during the period of extension or modification would subject the party to criminal penalty (\$5,000 or 3-year imprisonment, or both).

##### *Condominiums*

Section 304. Would amend section 234(c) and (f) of the National Housing Act to (1) authorize FHA insurance for the individual units in a condominium project with 2 to 11 dwelling units without requiring that the project be first covered by an FHA insured project mortgage, (2) provide the same downpayment and maximum mortgage limitations for the FHA condominium program as are provided for the regular single-family FHA section 203(b) program, and (3) permit blanket mortgages to cover four or more units instead of the present limitation of five or more units.

##### *Insurance of loans for purchase of fee simple title from lessors*

Section 305. Would add a new section 240 to the National Housing Act to permit FHA to insure loans to homeowners to finance the



purchase of fee simple title to property on which their homes are located where the homeowner has only a leasehold interest in the land. Would also amend section 5(c) of the Home Owners' Loan Act of 1933 to permit savings and loan associations to invest in the loans described above.

*Extend section 221(d)(2) sales housing program for two, three, and four family residences to all low and moderate income families*

**Section 306.** Would authorize FHA mortgage insurance under section 221(d)(2) for mortgages secured by two, three, and four family properties for all low and moderate income families, when one of the units will be occupied by the mortgagor. Under present law, insurance of a mortgage under section 221(d)(2) for two, three, and four family properties is only authorized where the mortgagor is a displaced family intending to occupy the property.

*Remove dividend restriction for nondwelling facilities in section 221 projects*

**Section 307.** Would amend section 221(f) of the National Housing Act to remove the requirement that a mortgagor of a 221 multifamily project in an urban renewal area (other than a mortgagor whose mortgage bears interest at a below-market rate) must waive dividends on its equity investment in nondwelling facilities in a project where these facilities are designed to serve the needs of others than residents of the project.

*Supplemental loan program for projects financed with FHA insured mortgages*

**Section 308.** Would add a new subsection (f) to section 223 of the National Housing Act to authorize insurance of supplementary loans to finance improvements and additions to multifamily projects (including nursing homes) and group practice facilities financed with an FHA-insured mortgage. The supplementary loan could also include equipment for a nursing home or group practice facility. Supplementary loans would be limited to 90 percent of the Secretary's estimate of the value of the required improvements, additions, and equipment and to an amount which, when added to the outstanding balance of the existing mortgage, does not exceed the basic mortgage limitations of the program under which the project is financed.

**Title I—Home improvement loans—Increase in maximum maturity, finance charge, and loan amount**

**Section 309.** Would amend section 2 of title I of the National Housing Act, which authorizes insurance of property improvement loans, to increase the maximum loan limitation of \$3,500 to \$5,000 and the maximum maturity from 5 years and 32 days to 7 years and 32 days. Would also increase the maximum permissible financing charge on the first \$2500 of a loan from a discount of \$.50 to \$.55 per \$100. of the original face amount of the loan, and on that portion of the loan in excess of \$2500 the maximum finance charge would be increased from a \$.40 to a \$.45 discount.

*Experimental housing program*

**Section 310.** Would amend section 233 of the National Housing Act, the FHA experimental housing program, to make the program available for use in connection with all FHA programs. At present, section 233 is available only with respect to properties and projects meeting the requirements of one of the other sections of title II of the National Housing Act. The experimental housing program would now be authorized to be used in connection with land development projects or group practice facilities where the mortgages are insured under titles X and XI, respectively.

*Term of FHA insured mortgages for land development*

**Section 311.** Would amend section 1002(d)(1) of the National Housing Act to permit the Secretary of HUD to prescribe a maturity

longer than seven years for land development project mortgages, as is presently permitted for insured mortgages covering privately owned water and sewer systems and new communities under Title X.

*Rehabilitated multifamily projects in urban renewal areas*

**Section 312.** Would amend sections 220(d)(3)(B)(ii) and 221(d)(3)(iii) of the National Housing Act to permit FHA mortgage insurance under those sections for the purchase of multifamily properties in urban renewal areas which have been rehabilitated by a local public agency pursuant to the authority provided by the amendment to title I of the Housing Act of 1949 proposed by section 504 of the bill. Mortgages on these properties could also be insured under the new section 236 of the National Housing Act (proposed by section 201 of the bill). Under present law, FHA mortgage insurance for multifamily properties is only available in connection with projects which are either newly constructed or substantially rehabilitated subsequent to the issuance of a commitment for mortgage insurance by FHA.

*Miscellaneous housing insurance*

**Section 313.** Would make 5 technical amendments to section 223 of the National Housing Act to permit refinancing of an FHA mortgage insured under any section or title of the National Housing Act as well as insurance of an FHA mortgage assigned to the Secretary or executed in connection with a sale of an acquired property under any section or title of the Act. Under present law this authority is limited to specific sections enumerated in section 223 and must be amended each time a new section is added to the National Housing Act. It would also permit payment in cash of an insurance claim, instead of just debentures, in connection with a mortgage assigned to the Secretary or a mortgage executed in connection with the sale of an acquired property.

*Supplementary loans for cooperative housing purchased from the Federal Government*

**Section 314.** Would amend section 213(j) of the National Housing Act to authorize mortgage insurance for supplementary loans to housing cooperatives which purchased wartime housing, covered by an uninsured mortgage for part of the purchase price, from the Federal Government. The loan would be subject to the same maximum amount limitations presently applicable under section 213(j) to supplementary loans to cooperatives with FHA insured mortgages. Where the mortgage on the property is dated more than 20 years prior to the date of the commitment to insure and the loan is for major rehabilitation or modernization, as determined by the Secretary, the loan may have a maturity date not more than 10 years in excess of the remaining term on the uninsured mortgage.

*Equipment in nursing homes*

**Section 315.** Would amend section 232 of the National Housing Act to permit the cost of major items of equipment used in the operation of a nursing home to be included in the insured mortgage. Similar authority is presently provided for group practice facilities under title XI.

**TITLE IV—GUARANTEES FOR FINANCING NEW COMMUNITY LAND DEVELOPMENT**

*Short title*

**Section 401.** This title would be referred to as the "New Communities Act of 1968."

*Purpose*

**Section 402.** States that the purpose of the title would be to encourage, through enlistment of private capital, the development of new communities that (1) contribute to better living conditions through improved overall community design; (2) contribute to the sound and economic growth of the areas in which they are located; (3) provide needed additions to the general housing supply; (4) provide opportunities for innovation in technology and land use planning; (5) enlarge

housing, employment and investment opportunities; and (6) encourage a diversified local homebuilding industry.

*Guarantee*

**Section 403.** Would authorize the Secretary of Housing and Urban Development to guarantee the bonds, debentures, notes and other obligations issued by new community developers to help finance new community development projects. In making such guarantees the Secretary would take into account (1) the large initial capital investment required, (2) the extended period before initial returns can be expected, (3) the irregular pattern of cash returns characteristic of such investment, and (4) the financial interests of the United States.

*Eligible new community development*

**Section 404.** Would make a new community development project eligible for assistance only if the Secretary determines that (1) the proposed new community will be economically feasible and will contribute to the orderly development of the area of which it is a part; (2) there is a practical plan (and time schedule) for financing the land acquisition and development costs and for the improvement and marketing of the land which, giving consideration to the purposes of this Act and the special problems involved, represents an acceptable financial risk to the United States; (3) there is a sound and comprehensive internal plan for the new community that meets State and local requirements, provides for a proper balance of housing for families of low and moderate income, and provides satisfactory supporting facilities for its future residents, and (4) the internal plan is consistent with comprehensive planning for the area in which the new community is situated.

*Eligible obligations*

**Section 405.** Would require any obligation guaranteed under this Act to (1) be issued by a new community developer, other than a public body, approved by the Secretary on the basis of financial, technical and administrative ability, (2) be issued to investors approved by the Secretary or, if there is an offering to the public, be underwritten upon terms approved by the Secretary, (3) be issued to finance a program of land development (including land acquisition or use) approved by the Secretary, (4) involve a principal obligation not to exceed the lesser of (1) 80 percent of the Secretary's estimate of the value of the property upon completion of the land development or (2) the sum of 75 percent of the Secretary's estimate of the value of the land before development and 90 percent of his estimate of the actual cost of the land development, (5) bear interest at a rate satisfactory to the Secretary, (6) provide for repayment and maturity satisfactory to the Secretary, and (7) contain such provisions with respect to protection of the security interests of the United States as the Secretary may prescribe.

With respect to a single new community development project the outstanding principal obligations guaranteed could not exceed \$50,000,000.

*Fees and charges*

**Section 406.** Would authorize the Secretary to establish guarantee fees and to make such other charges as he considers reasonable. The Secretary would be required to make a report to Congress on or before January 1, 1970, giving an estimate of the charges and fees which would be required for a self-supporting program.

*Guarantee fund*

**Section 407.** Would authorize the Secretary to establish a revolving fund to consist of (1) all guarantee fees and other charges, (2) all recoveries and other receipts obtained in connection with guarantees, and (3) such appropriations, which are here authorized, as may be required for program operations and non-administrative expenses and to make all payments under these guarantees. The



credit of the United States would be pledged to the payment of all guarantees. The Secretary could pursue to final collection or compromise any security, subrogation or other rights obtained under this Act; and expenses incurred in acquiring and disposing of property thus obtained may be paid out of the guarantee fund. The aggregate of outstanding principal obligations guaranteed under the title would at no time exceed \$500 million.

#### *Incontestability*

**Section 408.** Would make any guarantee by the Secretary conclusive evidence of the eligibility of the obligations for such guarantee. The validity of any guarantee would be incontestable in the hands of a qualified holder of the guaranteed obligation except for fraud or material misrepresentation on the part of such holder.

#### *Encouragement of small builders*

**Section 409.** Would require the Secretary to adopt requirements that will encourage the maintenance of a diversified local home-building industry, and broad participation by builders, particularly small builders.

#### *Labor*

**Section 410.** Would require payment of prevailing wage rates (as determined by the Secretary of Labor in accordance with the Davis-Bacon Act) to laborers and mechanics employed in land development assisted under section 403. The Secretary of Housing and Urban Development would be required to obtain adequate assurance, before extending such assistance, that the prevailing wage requirements will be met. It also specifies that the powers given the Secretary of Labor under Reorganization Plan No. 14 to coordinate the enforcement of prevailing wage provisions and the powers given him under the Davis-Bacon Act (40 U.S.C. 276c) to issue regulations will apply.

#### *Real property taxation*

**Section 411.** Would make any real property acquired by the Secretary by lien or subrogation rights subject to real property taxation to the same extent, according to its value, as other real property is taxed.

#### *Supplementary grants*

**Section 412.** Would authorize the Secretary to make supplementary grants to States and local public bodies carrying out "new community assistance projects" if the Secretary determines such grants are necessary or desirable for carrying out an approved new community development project.

"New community assistance projects" would be projects assisted by grants under the basic water and sewer program and the open space land program of the Department of Housing and Urban Development and under the water and waste disposal facilities program of the Farmers' Home Administration. Supplementary grants would be limited to 20 percent of the cost of such projects and, in determining such cost, the Secretary would accept certifications from the Department of Agriculture as to the cost of the projects assisted by the Farmers' Home Administration. In no event could the total Federal grants for a project exceed 80 percent of its cost.

Appropriations would be authorized for these supplementary grants, to be available until expended.

#### *General provisions and rules and regulations*

**Section 413.** Would vest in the Secretary (1) the authority to issue rules and regulations and (2) other powers and duties set forth in section 402 (except subsection (c) (2) and (f) which are not relevant and (d) which is duplicatory) of the Housing Act of 1950. These are administrative powers and duties customarily provided for in connection with Federal programs. A corporate budget would be provided for under this section except that supplementary grants under section 412 would be accounted for separately.

#### *Definitions*

**Section 414.** Would define the term "land development", to mean the process of grading land, making, installing, or constructing water lines and water supply installations, sewer lines and sewage disposal installations, steam, gas and electric lines and installations, roads, streets, curbs, gutters, sidewalks, storm drainage facilities, and other installations or work, whether on or off the site, which the Secretary deems necessary or desirable to prepare land for residential, commercial, industrial or other uses, or to provide facilities for public or common use. The term would not include any building unless it is (1) a building which is needed in connection with a water supply or sewage disposal installation or a steam, gas, or electric line or installation, or (2) a building, other than a school, which is to be owned and maintained jointly by the residents of the new community or is to be transferred to public ownership after completion.

The term "actual costs" would be defined to mean the costs (exclusive of rebates or discounts) incurred by a new community developer in carrying out the land development assisted under this Act. These costs may include amounts paid for labor, materials, construction contracts, land planning, engineers' and architects' fees, surveys, taxes and interest during development, organizational and legal expenses, such allocation of general overhead expenses as are acceptable to the Secretary, and other items of expense incidental to development which may be approved by the Secretary. If the Secretary determines that there is an identity of interest between the new community developer and the contractor, there may be included an allowance for the contractor's profit in an amount deemed reasonable by the Secretary.

The term "new community assistance projects" would be defined to mean projects assisted under section 702 of the Housing and Urban Development Act of 1965 (basic water and sewer grant program), under section 306(a) (2) of the Consolidated Farmers' Home Administration Act (water and waste disposal facilities grant program), or title VII of the Housing Act of 1961 (open space land program).

#### *Conforming amendments*

**Section 415.** These changes in existing law would—

(1) amend section 202(b) (4) of the Housing Amendments of 1955 so that the population limit (50,000) applicable to the political jurisdiction eligible to receive public facility loans under the 1955 law would be waived in the case of public facilities serving new communities (aided under this title) within jurisdictions (such as counties) whose total population would otherwise make them ineligible to receive such loans.

(2) amend section 24 of the Federal Reserve Act so as to authorize national banks to invest in obligations guaranteed under title III.

(3) amend section 5(c) of the Home Owners Loan Act of 1933 to authorize Federal savings and loan associations to invest in obligations guaranteed under title III.

#### *TITLE V—URBAN RENEWAL*

##### *Neighborhood development programs*

**Section 501.** Would add a new Part B to title I of the Housing Act of 1949. This Part would authorize the Secretary of HUD to provide financial assistance to local public agencies to assist them in carrying out neighborhood development programs. A neighborhood development program would consist of urban renewal project undertakings and activities in one or more urban renewal areas that are planned and carried out on the basis of annual increments. The requirements governing these undertakings and activities would be similar to those governing the provision of Federal financial assistance for regular urban renewal projects now provided for under Title I.

The major differences would be that the contract for loan or capital grant for the annual increment of a program could cover activities in several contiguous or non-contiguous urban renewal areas, and the funding would be based on the amount of loan and grant funds needed to carry out the activities planned during a 12-month period in each of the urban renewal areas contained in a community's program. There would be no obligation on the part of HUD to fund beyond the immediate 12-month period for which it has entered into a contract, but, if funds were available and a community's program was acceptable to the Secretary, it is anticipated that a community would receive financial assistance based on its needs for subsequent annual increments of its program. Although there would be a computation of project cost at the end of each 12-month period, financial settlement at the end of the period may not be possible because of the inability in that period to dispose of all the land acquired during the year or to complete or place under contract all public improvements planned for that year. In such cases, any loans outstanding would be continued until all monies due to be received under the contract for that year were received, or, in the alternative, the carried over financial items may be merged with the financing for a subsequent increment.

If in any annual period proceeds from land sold by the local public agency and land retained by it for use in accord with the urban renewal plan exceed the total project cost for that period, the local public agency would be required to pay to the Secretary  $\frac{2}{3}$ 's of the excess or  $\frac{3}{4}$ 's (in the case of a program on a  $\frac{1}{4}$  grant basis) and the Secretary would be empowered to use this amount to make grant payments under title I.

Local grants-in-aid would generally be calculated as they are under the present urban renewal program. However, the determination of their eligibility would be based on whether their construction started no more than 3 years (under section 110(d)) prior to the authorization by the Secretary of the first contract for financial assistance under a community's program which includes the urban renewal area which is benefited by the public improvement or facility for which credit is claimed; or seven years (under section 112(b)) prior to the date of authorization by the Secretary of the first contract for financial assistance under the program which includes the urban renewal area which is benefited by the expenditures for which credit is claimed. A noncash grant-in-aid would only be eligible for inclusion in computing the gross project cost of a program for any 12 month period, if its construction had commenced and only to the extent of the amount actually expended or obligated by contract.

In addition, there would be a provision to prevent pooling of excess noncash grant-in-aid credits from a neighborhood development program with other urban renewal projects being carried out by a community. However, any excess grant-in-aid credit from regular urban renewal projects could be pooled for the benefit of a neighborhood development program. Also noncash credits which are in excess of what is needed for any annual increment would be available to be applied toward the local share of the cost of subsequent annual increments.

As under regular urban renewal projects, a workable program would have to be in existence (at the date of authorization of any annual increment), relocation requirements would apply to each annual increment, and the local approval and public hearing requirements would have to be met. Since planning and project execution activities in most cases would be taking place simultaneously, especially in the early years of a program, the Secretary would be authorized to permit the urban renewal plan



to cover one or more of the urban renewal areas embraced by a program and to allow the plan to meet such requirements as to scope and content as he deems appropriate, taking into consideration the degree of detail needed in the plan to properly and expeditiously carry out the activities and undertakings proposed in any annual increment.

#### *Increased authorization*

**Section 502.** Would amend section 103(b) of the Housing Act of 1949 to increase the amount of funds available for urban renewal and other activities under title I of that Act by \$1,400,000,000 on July 1, 1969. Would also amend this section to increase the amount of funds available for urban renewal projects in model cities areas by \$350 million.

#### *Rehabilitation grants*

**Section 503.** Would amend section 115(b) of the Housing Act of 1949 to increase the rehabilitation grant that can be made to low-income homeowners from \$1,500 to \$2,500. It also makes a technical amendment to section 115(a) to authorize the payment of funds to otherwise qualified recipients for rehabilitation work on their "real property" used for dwelling purposes. At present assistance is limited solely to their dwelling structures, not including unsafe walks, or driveways, or fences or other related structures.

#### *Rehabilitation in urban renewal areas*

**Section 504.** Would amend section 110(c) (8) of the Housing Act of 1949 to remove the present limitation on the acquisition and rehabilitation of residential properties by a local urban renewal agency. (Present law permits the local agency to acquire and rehabilitate for demonstration purposes no more than 100 units or 5 percent of the total residential units in the urban renewal area, whichever is lesser).

#### *Disposition of property for low and moderate income housing*

**Section 505.** Would amend section 107(a) of the Housing Act of 1949 to permit land to be disposed of for both low and moderate income housing purposes and to permit this disposition to be done by lease as well as by sale. Would also permit housing to be sold to a mortgagor qualified under the new FHA 236 program (proposed to be added by section 201 of the bill) and to nonprofit organizations under the new FHA 235(j) (1) program (proposed to be added by section 101 of the bill) which will rehabilitate the property and sell it to low or moderate income persons.

#### *Capital grants for low and moderate income housing open land projects*

**Section 506.** Would amend section 103(a) (1) of the Housing Act of 1949 to permit capital grants to be made with respect to urban renewal open land projects (which now only qualify for loans) in an amount not to exceed two-thirds of the difference between the proceeds from any land disposed at its value for low or moderate income housing (under section 107 of such Act) and the proceeds which would have been realized if the land had been disposed of at its fair value without regard to the special provisions of section 107.

#### *Urban renewal loan contracts*

**Section 507.** Would amend section 102(c) of the Housing Act of 1949 to permit a local public agency to borrow funds to finance project undertakings on the private market at an interest rate in excess of the Federal lending rate set out in its loan contract with the Government. The full difference between the interest cost on the private market and the interest cost at which the local public agency could have borrowed from the Federal Government under its loan contract would be made up by a supplemental grant from the Government. A local public agency following this procedure, and thereby amending its loan contract for this purpose, would not be governed by the provisions of section

110(g) of such Act which require all loan contracts (originally executed prior to September 2, 1964) on their first amendment after that date to have incorporated in them a provisions for periodic revision of the Federal lending rate.

#### *Project close-out with small parcels of land remaining*

**Section 508.** Would amend section 106 of the Housing Act of 1949 to add a new subsection (1) which would permit the Secretary of HUD to allow an urban renewal project to be closed out where (1) not more than 5 percent of the total acquired land remains to be disposed of, (2) the local public agency does not expect to be able, due to circumstances beyond its control, to dispose of that land in the near future, (3) all other project activities are completed, and (4) the local public agency has agreed to dispose of or retain such land in the future for uses in accordance with the urban renewal plan. Would also amend section 110(f) of that Act to include in the amount of land proceeds, for the purposes of computing net project cost, an amount equal to the value of this land not yet disposed of.

#### *Rehabilitation loans*

**Section 509.** Would amend section 312 of the Housing Act of 1964 to provide such appropriations in each fiscal year as may be necessary to make rehabilitation loans (presently limited to \$100 million a year) and to extend the program from its present expiration date of October 1, 1969 to June 30, 1973.

### TITLE VI—URBAN PLANNING AND FACILITIES

#### *Comprehensive planning*

**Section 601.** Would rewrite section 701 of the Housing Act of 1954 (urban planning assistance). The principal change would authorize the Secretary of HUD to make planning grants to State planning agencies for assistance to district planning agencies for rural and other nonmetropolitan areas. A grant authorization of \$20 million would be provided for such planning grants in fiscal year 1969, and the Secretary of Agriculture would be given certain functions with respect to planning grants for districts, including a requirement that he be consulted before any such grant is made.

For fiscal year 1969 there would be a further increase of \$15,000,000 in the amount of funds that could be appropriated. For fiscal year 1970 and each subsequent fiscal year there would be authorized to be appropriated such amounts as are necessary with \$10,000,000 a year available solely for district planning. The section would also authorize the use of an additional \$10,000,000 from available grant funds for study, research, and demonstration projects covering such matters as the planning for entire systems of public facilities and services within metropolitan areas and other multijurisdictional regions.

Other changes would authorize the Secretary to make planning grants directly to tribal planning councils or other bodies for planning on Indian reservations and would require that metropolitan, regional, and district planning agencies, to the greatest extent practical, be composed of or responsible to elected officials of local governments. The rewritten section would also authorize grants under section 701(g) for regional and district councils of government, as well as those organized on a metropolitan basis, and would broaden the definition of comprehensive planning to include planning for the provision of governmental services and for the development and utilization of human and natural resources. However, comprehensive district planning could not include planning aimed at encouraging businesses to relocate from another area into the district.

Additional changes would authorize planning grants to official governmental planning

agencies for areas where rapid urbanization is expected to result on land developed or to be developed as a new community approved under the provisions of title IV of the bill, and would permit three-quarters grants for economic development districts designated under the Public Works and Economic Development Act of 1965

#### *Planned areawide development*

**Section 602.** Would amend title II of the Demonstration Cities and Metropolitan Development Act of 1966 by changing the heading of the title to "Planned Areawide Development" and, in keeping with this change in title, would amend the sections and subsections thereto to permit supplementary incentive grants authorized for certain federally assisted projects in metropolitan areas to be made for such projects being carried out in any multijurisdictional area, such as the rural planning districts that are recognized by the amendments in section 601 of the bill. Section 206(b) of the 1966 act is also amended to make available for appropriations for grants for areawide development any of the funds authorized for fiscal years 1967 and 1968, which have not been appropriated, through fiscal year 1970.

#### *Advance acquisition of land*

**Section 603.** Would rewrite section 704 of the Housing and Urban Development Act of 1965 to:

(1) change the definition of eligible land from "land planned to be utilized in connection with the future construction of public works or facilities" to "land planned to be utilized in the future for public purposes";

(2) replace the requirement that the proposed use be undertaken within five years with a requirement that it be undertaken within a reasonable time;

(3) clarify the status of the land in the interim between acquisition and utilization for the approved purpose;

(4) permit the Secretary to approve the diversion of the land to another public purpose which is in accord with the then applicable comprehensive plan and give him discretion to require repayment of the grant or the substitution of land of equivalent value when the land is diverted to a non-public purpose;

(5) provide that assistance under this section will not render a project ineligible for other Federal assistance programs and that the cost of land acquired with this assistance will not be an ineligible project cost in such other programs;

(6) provide for grant assistance for imputed interest charges when an applicant uses other than borrowed funds to finance the acquisition of the land; and

(7) clarify the authority of States to participate in the program.

#### *Extension of interim planning requirements in water and sewer facilities program*

**Section 604.** Would extend the expiration date of the interim planning requirements provision in the basic water and sewer facilities program from July 1, 1968 to October 1, 1969.

#### *Authorizations for the water and sewer facilities, neighborhood facilities, and advanced acquisition of land programs*

**Section 605.** Would amend section 708(b) of the Housing and Urban Development Act of 1965 to provide that any of the funds authorized for these programs, that have not been appropriated, will remain available for appropriation through fiscal year 1970.

#### *Open-space land program*

**Section 606.** Would amend section 702(b) of the Housing Act of 1961 to convert the funding provision for grants under the Open-Space Land Program from the present authority to enter into contracts not in excess of \$310,000,000 to a regular authorization for appropriations not in excess of \$310,000,000



prior to July 1, 1969. For fiscal year 1970 and subsequent fiscal years there would be authorized to be appropriated such amounts as are necessary. With these changes the sublimitations on grants for beautification and the acquisition of developed land in built-up portions of urban areas would be removed. Also section 708(b) of such Act would be amended to increase from \$50,000 to \$125,000 the amount of grant funds that may be used during any fiscal year for studies and the publishing of information.

*Authorize the making of feasibility studies in the public works planning advances program*

Section 607. Would clarify the authority of the Secretary under section 702 of the Housing Act of 1954 to make advances for the conduct of feasibility studies respecting specific public works, the planning of which may be assisted under section 702.

#### TITLE VII—URBAN MASS TRANSPORTATION Grant authorization

Section 701. Would amend section 4(b) of the Urban Mass Transportation Act of 1964 to increase the amount of funds authorized to be appropriated for the various activities under that Act by \$190,000,000 for fiscal year 1970. The amount of funds which may be used for research, development and demonstration projects, under section 6 of that Act, commencing July 1, 1968, would be increased by \$6,000,000. On or after July 1, 1969, the Secretary would be authorized to use such sums for this purpose, out of the funds available under the program, as he deems appropriate.

#### Definition of mass transportation

Section 702. Would broaden the statutory definition of "mass transportation" in section 12(c)(5) of the Urban Mass Transportation Act of 1964 to allow greater flexibility, scope, and opportunity for innovation, development, and application of new concepts and systems. The existing definition of "mass transportation" requires that such transportation serve the "general public" and operate "over prescribed routes." Both of these requirements would be eliminated. There would be substituted a requirement that the transportation provide to the public general or special service (excluding school buses or sightseeing or charter service) on a regular and continuing basis.

#### Extension of emergency program under the Urban Mass Transportation Act

Section 703. Would amend section 5 of the Urban Mass Transportation Act of 1964 to extend from November 1, 1968, to October 1, 1969, the emergency capital grant program.

#### TITLE VIII—SECONDARY MORTGAGE MARKET

This title would make changes in the statutes affecting the Federal National Mortgage Association and its functions in the secondary mortgage market. The principal change would be the fulfillment of the purpose of Congress fourteen years ago, as stated in section 303(g) of the Federal National Mortgage Association Charter Act, "to transfer to the owners of the outstanding common stock of the Association the assets and liabilities of the Association in connection with, and the control and management of, the secondary market operations of the Association under section 304 of this title in order that such operations may thereafter be carried out by a privately financed corporation." Other amendments, principally, would give the privately-owned corporation needed new methods of financing its existing portfolio of mortgages and its future operations.

#### Purposes

Section 801. States as the purposes of the title the partition of FNMA as heretofore existing into two separate corporations, one of which will be a Government-sponsored private corporation to operate the second-

ary market operations, and the other of which will remain in the Government and continue to operate the special assistance functions and management and liquidating functions.

#### Amendments to the FNMA Charter Act

Section 802. Would make a number of amendments to the FNMA Charter Act to achieve the purpose stated in section 801. The changes to be made by each subsection are set out below. References to section numbers, unless expressly stated otherwise, are to sections of the FNMA Charter Act (title III of the National Housing Act).

Subsection (a). Would amend the heading to title III of the National Housing Act to make it descriptive of that title as it would be amended by this bill.

Subsection (b). Would amend section 301 to bring up to date the statements in that section describing the purposes of the FNMA Charter Act.

Subsection (c). Would provide that, on an effective date to be established as provided in section 807 of the bill, the existing Federal National Mortgage Association is partitioned into two separate corporations. The corporation to remain in the Government and operate the special assistance functions and management and liquidating functions would be known as Government National Mortgage Association (GNMA). The corporation which will become entirely privately owned and which will operate the secondary market operations, will be known as Federal National Mortgage Association (FNMA).

Subsection (d). Would amend section 302(b) so that the powers stated therein would be applicable to both corporations. The present restrictions against buying mortgages at a price in excess of par and against buying mortgages offered by, or covering property held by, State and local instrumentalities would be applicable only to GNMA. The purchase authority of FNMA would be extended to include securities guaranteed by GNMA under section 306(g).

Subsection (e). Technical.

Subsection (f). Technical.

Subsection (g). Technical.

Subsection (h). Would amend the heading of section 303 to emphasize the fact that the capitalization provisions therein would be applicable only to FNMA.

Subsection (i). Would:

(1) change the common stock from non-voting to voting and from \$100 par value to no par value;

(2) clarify the free transferability of the common stock;

(3) repeal the provision for retirement of the common stock at par;

(4) delete the restriction that payments to retire the preferred stock must come entirely out of capital surplus and general surplus accounts; and

(5) provide that the preferred stock shall be retired as rapidly as possible after the effective date of these amendments.

Subsection (j). Would provide that fees and charges imposed by FNMA in the secondary market operations could be regarded as elements of pricing, so that they would not necessarily be considered fees for services.

Subsection (k). Would allow FNMA to issue common stock in addition to that now required to be issued in connection with FNMA's purchasing and lending activities. It would also require each servicer of mortgages for FNMA to own at all times a minimum amount of FNMA common stock. This minimum amount, measured by the stock's stated value, would be not less than 2 percent nor more than 4 percent of the outstanding principal balances of all mortgages owned by FNMA and serviced by the servicer, but this requirement would not apply to mortgages purchased by FNMA before the effective date of these amendments. It would also strike out the provision limiting the

return on the common stock to 5 percent of its par value and insert a provision providing that cash dividends shall not exceed a rate determined by the Secretary of Housing and Urban Development to be a fair rate of return.

Subsection (l). Would prohibit issuance of any preferred stock after the effective date of these amendments.

Subsection (m). Technical.

Subsection (n). Would change the heading of section 304 to emphasize the fact that the secondary market operations provisions therein would apply only to FNMA.

Subsection (o). Would strike out an obsolete restriction which prohibits FNMA from purchasing any mortgage insured or guaranteed prior to August 2, 1954.

Subsection (p). Would amend the provision limiting the amount of secondary market operations obligations outstanding at any one time to 15 times the sum of its capital, surplus, and reserves, by inserting a provision which would allow the Secretary of HUD to fix FNMA's debt-to-capital ratio at a higher figure.

Subsection (q). Would strike out the provision in section 304(c) which would prohibit FNMA's borrowing from the Treasury after retirement of the preferred stock.

Subsection (r). Technical.

Subsection (s). Would amend the heading to section 305 to emphasize the fact that the special assistance functions provisions therein would apply only to GNMA.

Subsection (t). Would amend the heading to section 306 to emphasize the fact that the management and liquidating functions provisions therein would apply only to GNMA.

Subsection (u). Technical.

Subsection (v). Technical.

Subsection (w). Technical.

Subsection (x). Would eliminate the present board of directors and vest all the powers and duties of GNMA in the Secretary of HUD, and would make provisions for a board of directors for FNMA. Subject to the temporary provisions of section 809(b) of the bill, the FNMA board would consist of from nine to fifteen members, one-third of whom would be appointed by the Secretary and the remainder of whom would be elected by the stockholders. The appointments and elections would be for one-year terms only. The Secretary would be required to appoint, as members of the board, one person from the home building industry and one person from the real estate industry.

Subsection (y). Would make the existing general corporate powers set forth in section 309(a) applicable to both corporations.

Subsection (z). Would amend section 309(c) so that GNMA would retain its tax exemptions. It would strike out the present provision requiring the payment of a Federal income tax "equivalent" under the secondary market operations and would make FNMA subject to all Federal taxes. FNMA would be exempt from other taxes, except for real property taxes.

Subsection (aa). Would give the board of directors of FNMA the power to appoint and employ officers and employees without regard to civil service laws, but each person who is employed during the transitional period and is subject to the civil service retirement law immediately prior to his employment would continue to be subject to that law for so long as his employment by FNMA continues without a break in continuity of service. FNMA would pay into the Civil Service Retirement and Disability Fund the amount determined by the Civil Service Commission to be the amount required, in addition to employee deductions, to cover the total costs of the retirement system attributable to its employees. In addition, FNMA would pay to the Fund each year the amount estimated by the Civil Service Commission to be the cost of administration of the Fund attributable to its employees. The maximum amount of basic pay of any individual



counted for retirement purposes would be the amount specified for Level I of the Executive Schedule (now \$35,000).

*Subsection (bb).* Would amend section 309(e) so that its prohibition against use by others of FNMA's name would apply as well to GNMA. In addition it would repeal the criminal sanctions for violations and substitute in lieu thereof civil penalties.

*Subsection (cc).* Would amend section 309(g) so that the authority to use the Federal Reserve banks as depositories, custodians, and fiscal agents would apply to both corporations. It would also reword the provision to remove any question concerning the authority of Federal Reserve banks to serve these corporations while they are acting in a fiduciary capacity. It would also confirm the authority of both corporations to receive deposit payments and act as a depository for others.

*Subsection (dd).* Would provide regulatory authority over FNMA to the Secretary of HUD, to make rules and regulations to insure that the purposes of the FNMA Charter Act are accomplished and to require that a reasonable portion of FNMA's mortgage purchases be related to housing for low and moderate income families (but with reasonable economic return to the corporation). No stock or obligations could be issued without the Secretary's approval, and the Secretary could examine and audit FNMA's books and financial transactions and require reports on its activities.

*Subsection (ee).* Would amend section 311 so that the provisions therein making the obligations of the Association lawful investments would apply to the obligations of both corporations. It would also exempt all stocks, obligations, securities, and other instruments issued by both corporations from regulation by the Securities and Exchange Commission, but would require that such issuances be made only with the approval of the Secretary of HUD.

#### *Participations*

*Section 803.* Would permit GNMA, as a trustee under trusts created for sales of participation certificates, to issue such certificates for refinancing purposes without regard to the requirement of appropriation Act authority, thereby permitting increased flexibility in management of the trusts. Under the amendment, any appropriation for insufficiencies accompanying the original authorization would apply as well to any rollover sale as to the original sale.

#### *Mortgage-backed securities*

*Section 804.* Would amend section 304 of the FNMA Charter Act to allow FNMA to issue and sell securities backed by a set-aside portion of its portfolio of mortgages. It would also amend section 306 of the FNMA Charter Act to allow GNMA to guarantee the payment of principal and interest on any such securities issued by FNMA. GNMA could also guarantee similar securities issued by other private issuers approved by it for this purpose, so long as the securities are backed by mortgages or loans guaranteed or insured by FHA or the Veterans' Administration, or by the Farmers' Home Administration under title V of the Housing Act of 1949, and set aside or subjected to a trust in a manner similar to that established by FNMA under section 304. GNMA would be authorized to collect a reasonable guaranty fee and other charges. In the event of the necessity of any payment under the guaranty, GNMA would become subrogated to the rights satisfied by the payment.

#### *Subordinated and convertible obligations*

*Section 805.* Would amend section 304 of the FNMA Charter Act to allow FNMA to issue obligations which are subordinated in any manner set forth therein and could also be convertible into common stock as set forth therein. The total amount of such

subordinated obligations outstanding at any one time could not exceed twice the capital and surplus of FNMA, and the amount outstanding at any one time could be considered to be a part of the capital of the corporation for determining the total amount of secondary market operations general obligations which could be outstanding at any one time.

#### *Amendments to other laws*

*Section 806.* Would make numerous changes in other laws necessitated by the separation of functions as set forth in section 802 of the bill.

#### *Effective date*

*Section 807.* Would make the amendments in this title effective from and after a date to be determined by the Secretary of HUD, but within 120 days after enactment of the bill.

#### *Savings provisions*

*Section 808.* Would preserve causes of action and legal proceedings existing or instituted by or against FNMA prior to the effective date of these amendments so that they will not abate.

#### *Transitional provisions*

*Section 809.* Would make certain transitional provisions regarding the capital stock of FNMA and would provide for the board of directors during a transitional period, which would end at such time as one-third of the common stock is owned by persons or institutions in the mortgage lending, home building, real estate or related businesses, but not sooner than May 1, 1970, nor later than May 1, 1973. During this period, the board would consist of 9 members. The Secretary of HUD would appoint all members for the first year. For the second year, he would appoint 7 members, and the stockholders would elect 2. For the remainder of the period, he would appoint 5 members, and the stockholders would elect 4. It would also provide that FNMA would be considered to be a wholly owned corporation for the purposes of the Government Corporation Control Act until the last share of preferred stock is retired. It would also provide that the officers and employees of the present FNMA immediately prior to the effective date shall become officers and employees of GNMA on that date, that FNMA and GNMA shall provide for the conditions and methods whereby FNMA could hire GNMA's employees, that the two corporations may provide by contract for the operation by either of such corporations of any of the functions of the other, and that the Secretary of HUD shall make every reasonable effort to place those GNMA employees who are neither employed by FNMA nor retained by GNMA.

#### *TITLE IX—NATIONAL HOUSING PARTNERSHIPS*

##### *Statement of purpose*

*Section 901.* Would state that the volume of housing being produced for families of low or moderate income must be increased, and that there should be created one or more private organizations to encourage maximum participation by private investors in programs and projects to provide low and moderate income housing.

##### *Creation of corporations*

*Section 902.* Would authorize the creation of private corporations for profit, which will not be government agencies, organized under this title and the District of Columbia Business Corporation Act. One such corporation is to be created initially (called the "Corporation"), with the President authorized to cause the creation of additional corporations (and additional partnerships described under section 907) when he determines it to be in the national interest. This section makes it clear that others may create organizations for the purposes set forth in this title for national partnerships.

#### *Process of organization*

*Section 903.* Would authorize the President to appoint incorporators, by and with the advice and consent of the Senate, who shall take any actions necessary to establish the Corporation. The incorporators would serve as the initial board of directors and would arrange for the initial offering of shares of stock in the Corporation and of interests in the national partnership to be formed pursuant to this title.

#### *Directors*

*Section 904.* Would provide that the Corporation shall have a fifteen member Board of Directors, twelve to be elected by the stockholders, and three to be appointed for three-year terms by the President by and with the advice and consent of the Senate. Of the first three directors appointed by the President, one would be appointed to serve a term of one year, the second to serve a term of two years, and the third a full three-year term.

#### *Financing the Corporation*

*Section 905.* Would authorize the Corporation to issue the number of shares specified in its articles of incorporation, which may be divided into one or more classes, have par value or be without par value, and have the preferences, voting powers, rights and limitations specified in the articles of incorporation.

#### *Purposes and powers of the Corporation*

*Section 906.* Would authorize the Corporation to engage in activities appropriate to the provision of housing and related facilities primarily for families and individuals of low or moderate income, with or without the use of Federal programs. These would include the building, rehabilitation, purchase, leasing, ownership, and management of housing and related facilities, and the provision of funds in connection with such undertakings by the Corporation. The Corporation would also be authorized to enter into all forms of partnerships and associations, act as general partner in such partnerships and associations, conduct research and study projects in the housing field, provide technical assistance to other organizations with respect to the provision of low and moderate income housing, and provide financial assistance to other organizations in connection with the Corporation's low and moderate income housing activities.

#### *National housing partnership*

*Section 907.* Would authorize the Corporation to form, as a separate organization, a limited partnership (called the "Partnership") under the District of Columbia Uniform Limited Partnership Act, in which the Corporation would be the general partner and each of the stockholders of the Corporation and others would be permitted to become limited partners. The capital of the Partnership and the contributions of the partners would be specified in the Partnership Agreement. The Partnership would be authorized to engage in the same activities as those authorized for the Corporation, and would enter into partnerships, limited partnerships, and joint ventures organized under State or local law for the purpose of engaging in low and moderate income housing undertakings in particular localities. Its participation in such undertakings would be designed to encourage participation by local interests, and the Partnership's investment could not exceed 25 percent of the aggregate initial equity investment for the project, except where the balance required is not readily obtainable from investors in the local community.

This section states that the Partnership shall be deemed to have the legal status of a limited partnership, notwithstanding any inconsistency between the provisions of this title and the provisions of the District of Columbia Uniform Limited Partnership Act and the District of Columbia Uniform



Partnership Act, or of any other law. It also provides that a corporation which is one of the limited partners of the Partnership shall not become liable as a general partner by reason of the fact that it holds the Corporation's voting shares, not over 5 percent, or that an officer or director of such corporation is a director of the Corporation. Nor will the interests of a limited partner in the Partnership be treated as a stock interest in the Corporation, even though such interest may be proportionate to his stock interest in the Corporation.

#### *Report to Congress and records*

**Section 908.** Would require the Corporation to submit annual reports to the President for transmittal to the Congress and to have its accounts audited annually.

#### *Antitrust laws*

**Section 909.** Would make it clear that the activities of the Corporation, the Partnership, and of the persons participating in partnerships and ventures with them shall be subject to the Federal antitrust laws.

#### *Right to repeal, alter or amend*

**Section 910.** Would reserve the right to repeal, alter, or amend this title.

#### *Amendment to banking laws*

**Section 911.** Would amend section 24 of the National Bank Act so as to permit national banks to invest in the Corporation and in a partnership, limited partnership, or joint venture formed pursuant to this title.

#### **TITLE X—RURAL HOUSING**

##### *Housing for low and moderate income persons and families*

**Section 1001.** Would amend Title V of the Housing Act of 1949 by adding a new section 521 authorizing direct and insured loans in rural areas (places not exceeding 5,500 population) to low and moderate income persons and families and to provide rental or co-operative housing for such persons and families, where assistance is not available under sections 235 and 236 of the National Housing Act (added by sections 101 and 201 of the bill). Interest will be at a rate which will be set by the Secretary of Agriculture after considering the cost of money to the Treasury and the payment ability of the applicants. The interest rate may not in any event be less than 1 percent per annum. An interest supplement necessary to market the insured loans will be paid from, and reimbursed by annual appropriations to, the Rural Housing Insurance Fund. Eligibility for these loans will be broadened to include persons not previously residing in rural areas. This provision regarding nonrural residents will be administered so as to restrict it to persons of low or moderate income who are employed in rural areas.

##### *Housing for rural trainees*

**Section 1002.** Would authorize financial and technical assistance to provide, in rural areas, housing and related facilities for rural trainees (and their families) enrolled in federally assisted training courses to improve their employment capability. The Secretary of Agriculture could use this authority only after he determined that such housing and facilities could not be reasonably provided in any other way. The Secretary would be required to first consult with the Secretaries of Labor, HEW, and HUD and the Director of the Office of Economic Opportunity before providing this assistance. Training and housing sites would be selected only after consideration of a labor area survey and full coordination among all Federal, State, and local government agencies administering related programs. Related facilities would include, in addition to other service facilities, rooms and buildings for training purposes. Advances for land purchase would be repayable within periods not longer than 33 years and will bear interest. Other advances would be nonrepayable, or repayable with or with-

out interest, depending on the applicant's payment ability, from project net income and any other available sources. Any interest charged on advances will be at a rate prescribed by the Secretary of Agriculture after considering the cost of money to the Treasury and the payment ability of the applicants. In no event would the rate be less than 1 percent per annum.

#### *Appropriations*

**Section 1003.** Since necessary authority under sections 235 and 236 of the National Housing Act (added by sections 101 and 201 of the bill) will be assigned to the Secretary of Agriculture as he and the Secretary of HUD agree, this section would authorize appropriations to the Secretary of Agriculture for the cost of such administration.

#### *Purchase of land for building sites*

**Section 1004.** Would broaden the eligible purposes of domestic farm labor housing loans to include the purchase of necessary land for building sites.

#### **TITLE XI—MISCELLANEOUS**

##### *Model cities*

**Section 1101.** Would amend section 111(b) of the Demonstration Cities and Metropolitan Development Act of 1966 to increase the funds authorized to be appropriated for supplemental grants and for other purposes by \$1,000,000,000 for each of the fiscal years 1970 and 1971. Would also provide that any amounts authorized in any fiscal year but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1971.

##### *Urban renewal demonstration grant program*

**Section 1102.** Would amend section 314 of the Housing Act of 1954 to permit grants for developing, testing, and reporting methods and techniques, and carrying out demonstrations and other activities, for the prevention and the elimination of slums and urban blight to be made to anyone, not just to public bodies. The amount of the grant could cover up to the full cost of the undertaking, instead of the present limitation to two-thirds of the cost of the demonstration plus the full cost of writing and publishing the report. The amount of funds available to the program would be increased from \$10 million to \$20 million.

##### *Authorization for urban information and technical assistance services program*

**Section 1103.** Would amend section 906 of the Demonstration Cities and Metropolitan Development Act of 1966 to authorize appropriation of such funds as are necessary to carry out the purposes of title IX of the 1966 Act. Would also provide that once funds are appropriated they shall remain available until expended.

##### *Advances in technology in housing and urban development*

**Section 1104.** Would amend section 1010 of the Demonstration Cities and Metropolitan Development Act of 1966 to authorize the appropriation of such amounts as may be necessary commencing with fiscal year 1969, and would also permit research contracts to be entered into for periods of up to four years, instead of the present authorized two-year period.

##### *Interest rate on college housing loans*

**Section 1105.** Would amend sections 401(c) and 401(e) of the Housing Act of 1950 to (1) establish a new lending rate for college housing loans based on the current average market yield for obligations of the United States with remaining periods to maturity comparable to the average maturities of college housing loans, less such a rate, not to exceed 1 per cent per annum, as the Secretary of HUD may determine, and (2) establish a new rate of interest on the funds for the program borrowed from the Treasury based on the same determination as the lending rate without any optional decrease.

#### *Federal-State training programs*

**Section 1106.** Would amend sections 801 and 802 of title VIII of the Housing Act of 1964 to expand the program to permit grants to States for the training of subprofessional (as well as professional persons) who will be employed by nonprofit organizations (as well as public organizations) in the field of housing and community development.

Section 805 of such Act would also be amended to make Guam, American Samoa, and the Trust Territory of the Pacific Islands eligible for grants under the program.

#### *Additional Assistant Secretary of HUD*

**Section 1107.** Would amend the first sentence of section 4(a) of the Department of Housing and Urban Development Act and paragraph (87) of section 5315 of title 5, United States Code, to increase the number of Assistant Secretaries for the Department from four to five.

#### *International housing*

**Section 1108.** Would rewrite section 604 of the Housing Act of 1957 to clarify authority of HUD to (1) exchange data on housing and urban development with foreign countries; (2) employ private citizens to participate in intergovernmental and international meetings sponsored or attended by HUD; and (3) accept funds and other donations from international organizations, foreign countries, and private foundations in connection with activities carried on jointly under international housing programs, thereby permitting a sharing of costs.

#### *Low-rent public housing—Corporate status*

**Section 1109.** Repeals obsolete provisions of the United States Housing Act of 1937 to permit the retirement of the \$1,000,000 capital stock of the U.S. Housing Authority and the return of the \$1,000,000 to the Treasury. Also would amend section 101 of the Government Corporation Control Act to delete reference to the Federal Public Housing Authority.

#### *Eligibility for rent supplement payments*

**Section 1110.** Would extend eligibility to participate in the rent supplement program under section 101 of the Housing and Urban Development Act of 1965, to two projects in New York City which were approved for mortgage insurance shortly prior to August 10, 1965 (and therefore presently ineligible for rent supplement assistance), but, in connection with which, on an experimental basis, rent supplement assistance was provided for a temporary period through a joint effort of the Office of Economic Opportunity, the New York City Rent and Rehabilitation Administration, and HUD.

#### *Consolidation of low-rent public housing projects in the District of Columbia*

**Section 1111.** Would allow the National Capital Housing Authority in Washington, D.C. to consolidate, pursuant to section 15(6) of the United States Housing Act of 1937, into its annual contributions contract for its 8,423 units of low-rent housing under title II of the District of Columbia Alley Dwelling Act the operating income and operating expense accounts for its 72 units of low-rent housing under title I of such Act. Title I governs housing provided prior to enactment of the United States Housing Act of 1937, whereas title II governs housing originally provided with aid under the 1937 Act.

#### *Earthquake study*

**Section 1112.** Would amend section 5 of the Southeast Hurricane Disaster Relief Act of 1965 by extending the date the Secretary of HUD is required to report his findings and recommendations on earthquake insurance from October 31, 1968 to June 30, 1969.

#### *Technical amendments*

**Section 1113. Subsection (a)** would amend section 110(c) of the Housing Act of 1949 to make it clear that urban renewal project funds can be used for "the restoration of



acquired properties of historical or architectural value."

Subsection (b) would amend section 110 (d) of the Housing Act of 1949 to make it clear that grant-in-aid credit can be given for expenditures by a public body for the construction of foundations and platforms on air rights sites in urban renewal projects to the same extent that such work could now be done with project funds.

Subsection (c) would amend section 110(e) of the Housing Act of 1949 to make it clear that the restoration of historic properties can be carried out as an urban renewal project cost for those projects approved for three-fourths Federal grant assistance on a limited project cost basis.

Subsection (d) would amend section 1101 (c) (3) of the National Housing Act to permit amortization of the mortgage term under the medical group practice facilities program to commence after completion of construction of the facility rather than at the time the mortgage is executed.

Subsection (e) would amend section 213 (a) of the National Housing Act to clarify the authority of the Secretary to invest all moneys, not currently needed for the operation of the cooperative management housing insurance fund, in Government bonds or obligations, or in the purchase on the open market of debentures which are the obligation of the fund.

Subsection (f) would amend section 810 (e) of the National Housing Act to permit an individual, who is approved by the Secretary, to be a mortgagor under the FHA section 810 housing program for military personnel or employees or personnel of NASA or AEC research or development installations.

#### RENT SUPPLEMENTS

Mr. MONDALE. Mr. President, for more than three decades the Nation has worked to solve the problem of building decent housing for low-income families. In all this time, we have sought the maximum participation of private industry in meeting these objectives. But the economics of housing production put the low-income market out of the reach of private enterprise.

The U.S. Housing Act of 1937 gave us the public housing program, and it has done a very creditable job over the years. Thousands of low-income families have a sound housing and a decent environment in which to raise their children because of the low-rent program.

In spite of substantial progress under this program, many knowledgeable persons felt that we could do more to house poor families if we could bring the resources and talents of the private sector more to bear on the problem. In 1965, we cleared the way for greater private involvement in the low-income market with enactment of the rent supplement program.

Private sponsors develop the housing. Private builders construct the housing, and private owners select the tenants and manage the housing.

The families served are truly of low income—those who meet local public housing requirements. They pay one-fourth of monthly income toward the economic rent and the difference is made up by the rent supplement payment from the Federal Housing Administration directly to the private owner.

If family income increases, the supplement decreases and it is possible for a family to improve its income so that it pays all the rent and the supplement ceases. But the family does not have to

move out of a decent home as it would if it were over income for public housing.

In the first year that the program was funded, all \$32 million in contract authority was exhausted. The current \$10 million in funds has virtually been expended. Many additional project proposals have already been received in FHA.

Altogether, some 42,000 units of rent supplement housing are in various stages of planning, construction, or management.

President Johnson has asked for \$65 million in contract authority for this program for fiscal 1969. This will produce some 72,500 additional units.

This program is desperately needed. I urge my colleagues to join me in supporting full funding of the rent supplement program.

#### S. 3031: INTRODUCTION OF BILL ENTITLED "THE ENVIRONMENTAL QUALITY PRESERVATION ACT OF 1968"

Mr. NELSON. Mr. President, increasingly of late, more and more people have been sounding the alarm about the grave threats to our environment posed by a vast tide of air and water pollution, by our urban sprawl and by the products and byproducts of our rapidly burgeoning technology.

There is no question that the quality of our environment is deteriorating rapidly and that the health and welfare of our citizens is imminently threatened. The degradation of our air and water has reached alarming proportions. The air in many of our major cities is not safe to breathe and the water in many of our lakes and streams is not safe even for partial body contact.

Our Government has a vital stake in restoring the quality of our environment. In order that it may better meet its responsibilities, I am introducing today a bill—the Environmental Quality Preservation Act of 1968—which will serve to coordinate and expand the State, local, and Federal governments' role in meeting the environmental crisis.

Title I of the bill would create a Council on Environmental Quality in the Executive Office of the President to oversee the programs of the Federal, State, and local governments to determine to what extent these activities are contributing to the achievement of environmental quality and to gather, analyze, and interpret conditions and trends in environmental quality.

The principal task of the Council will be to develop within a 5-year period comprehensive national policies and programs to improve and maintain the quality of our environment. This is a job of enormous import not only to us today but also to many generations to come.

Under title II of the bill, the Secretary of the Interior is authorized to conduct studies of natural environmental systems in the United States to document and define changes in these systems, and to develop and maintain an inventory of natural resource development projects and other related projects which may make significant modifications in the natural environment.

Further, the Secretary of the Interior is directed to establish a clearinghouse for information on ecological problems and studies and to disseminate information about progress in the field and to establish a program in which representative natural environments on Federal lands can be set aside for scientific study and for preservation. Also, the Secretary of the Interior will assist and encourage the establishment of similar natural preserves on State and private lands.

Title III of the bill would establish, under the Secretary of Health, Education, and Welfare, a comprehensive waste management research program, coordinating all such research now being done under a number of different Federal programs. The Secretary of Health, Education, and Welfare is also directed to compile a national inventory of waste management needs and problems and of waste management technology.

In addition, the bill would establish a clearinghouse for information on all aspects of air, water, and soil pollution and waste disposal. This information would be made available to business, industry, municipalities, and the general public.

This measure will serve effectively to coordinate and channel the efforts of State, local, and Federal governments in our struggle to restore the quality of our environment.

We have been warned repeatedly by our scientists about the dangers involved in disrupting the delicate balance of nature. We have seen many times the disastrous results of manmade ecological disruptions.

We find in this country today a rapidly diminishing natural resource base. The continued destruction of our once abundant resources is accelerated by our technology and our urban sprawl. We have arrived at a critical point in time, at a very important crossroad. If we do not move boldly and decisively now, before long we will have seriously eroded our resource base and dangerously degraded our whole environment.

The effort that we must make has to be thorough and comprehensive. We cannot afford to make any mistakes. And we need the support of every citizen and of every public official at all levels of government, from city and county government right on up to the White House.

There can be little doubt that we have pushed nature far beyond its capacity to regenerate that which we have taken away and to dilute all the polluting wastes that we pour in mountainous quantities into the air and water and onto the land.

We must halt the senseless pollution of our air and water; we must shepherd our remaining last resources with great care; we must evaluate very carefully any new project or development which threatens to disrupt or disturb our environment in any way.

Now is the time. This may well be our last chance. We all have an obligation to consider exactly what is at stake. We must decide what kind of a world we want this to be both for us and for our children and our grandchildren. Now is the time for decision.



I ask unanimous consent that the text of this bill—the Environmental Quality Preservation Act of 1968—be printed in the RECORD at this point in my remarks.

The VICE PRESIDENT. The bill will be received and appropriately referred; and, without objection, the bill will be printed in the RECORD.

The bill (S. 3031) to provide for the formulation of a national policy for environmental quality, and for other purposes, introduced by Mr. NELSON, was received, read twice by its title, referred to the Committee on Public Works, and ordered to be printed in the RECORD, as follows:

#### S. 3031

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Environmental Quality Preservation Act of 1968".

#### SEC. 2. The Congress finds and declares—

(a) that the quality of the environment of the Nation—its air, water, and soil—has substantially deteriorated and is continuing to do so at an increasing rate;

(b) that this decline in environmental quality is threatening the health and survival of plant and animal life, and indeed of man himself; is depriving man of esthetic and recreational values increasingly important to his physical and mental health; and is obstructing, and indeed may eventually prevent, the economic, social, and material development necessary to meet the grave problems of an expanding population, and continuing urbanization and industrialization;

(c) that present pollution control programs, directed as they are to specific problems of pollution of water, air or soil, do not together constitute a comprehensive environmental quality program and cannot maintain overall environmental quality at a level sufficient for the emerging needs of the Nation; and

(d) that the purposes of this Act therefore are to provide for the formulation and recommendation to the Congress of a comprehensive national environmental quality program; to foster interest in and attention to the problems of environmental quality by the Congress and throughout the Executive branch; and to reorganize and redirect existing research programs, and establish new programs, in order to expand rapidly knowledge of all kinds in the areas of environmental quality, pollution control, and waste management.

#### TITLE I—COUNCIL ON ENVIRONMENTAL QUALITY

SEC. 101. The President shall transmit to the Congress annually beginning not later than June 30, 1969, an Environmental Quality Report (hereinafter referred to as the "Report") which shall set forth (1) the status and condition of the major natural, man-made, or altered environmental systems of the Nation, including, but not limited to, the air, the aquatic, including marine, estuarine, and fresh water, and the terrestrial environment, including, but not limited to, the forest, dryland, wetland, range, urban, suburban, and rural environment; and (2) current and foreseeable trends in management and utilization of such environments and the effects of those trends on the social, economic, and other requirements of the Nation.

SEC. 102. (a) There is hereby created in the Executive Office of the President a Council on Environmental Quality (hereinafter referred to as the "Council"). The Council shall be composed of five members who shall be appointed by the President, by and with the advice and consent of the Senate, each of whom shall be a person who, as a result of his training, experience, and attainments, is exceptionally qualified to analyze and in-

terpret environmental information of all kinds, to appraise the environmental quality programs of Federal, State and local governments, and to formulate and recommend national policy to promote the improvement of the quality of the environment.

(b) The Council may employ such officers and employees as may be necessary to carry out its functions under this title. In addition, the Council may employ and fix the compensation of such experts and consultants as may be necessary for the carrying out of its functions under this title, in accordance with section 3109 of title 5, United States Code (but without regard to the last sentence thereof).

(c) It shall be the principal duty of the Council to develop comprehensive national policies and programs to improve and maintain the quality of the environment needed to meet the emerging social, economic, material, and other requirements of the Nation. The recommendations of the Council shall be transmitted by the President to the Congress by January 1, 1973.

(d) In addition to those in subsection (c), it shall be the duty and function of the Council—

(1) to assist and advise the President in the preparation of the Environmental Quality Report;

(2) to gather timely and authoritative information concerning the conditions and trends in environmental qualities both current and prospective, to analyze and interpret such information and to compile and submit to the President studies relating to such conditions and trends;

(3) to appraise the various programs and activities of Federal, State, and local government for the purpose of determining the extent to which such programs and activities are contributing to the achievement of environmental quality, and to make recommendations to the President with respect thereto;

(4) to make and furnish such studies, reports, and recommendations, with respect to matters of policy and legislation as the President may request; and

(5) to foster study and research in the social, technical, administrative, economic, political, and other aspects of environmental quality at institutions of higher learning throughout the Nation.

(e) In exercising its powers, functions, and duties under this title—

(1) the Council shall consult with such representatives of science, industry, agriculture, labor, conservation, State and local governments, and other organizations and groups, as it deems advisable; and

(2) the Council shall, to the fullest extent possible, utilize the services, facilities, and information (including statistical information) of public and private agencies, organizations, and individuals, in order that duplication of effort and expense may be avoided.

#### TITLE II—ECOLOGICAL RESEARCH

SEC. 201. The Secretary of the Interior (hereinafter referred to as the "Secretary"), in order to carry out the purposes of this title, is authorized—

(1) to conduct investigations, studies, surveys, research, and analyses;

(2) to document and define changes in the natural environment, including the plant and animal systems, and to accumulate necessary data and other information for a continuing analysis of these changes or trends and an interpretation of their underlying causes;

(3) to develop and maintain an inventory of natural resource development projects, engineering works, and other major projects such as, but not limited to, eradication projects contemplated or planned by public or private agencies or organizations which may make significant modifications in the natural environment;

(4) to establish a system of collecting and receiving information and data on ecological

research and evaluations which are in progress or are planned by other public or private agencies or organizations, or individuals;

(5) to evaluate and disseminate information of an ecological nature to public and private agencies or organizations, or individuals in the form of reports, publications, atlases, and maps;

(6) to initiate and utilize ecological information and in the planning and development of resource-oriented projects;

(7) to encourage other public or private agencies planning development projects to consult with the Secretary on the impact of the proposed projects on the natural environment;

(8) to encourage and assist public (non-Federal) or private agencies or organizations, including educational institutions, museums, and botanical and zoological gardens, and other scientific or conservation organizations, or individuals, to acquire, designate, and maintain representative samples of important natural environmental systems, including natural areas for observation and for manipulation, and to encourage such agencies, organizations, and individuals to utilize existing areas under their control or jurisdiction for such purposes;

(9) to establish through interagency coordination, on federally owned lands, a Federal system of natural areas for scientific purposes and develop the means and methods for withdrawal of such areas from non-conforming uses, and provide for their management and protection to serve the natural research needs for all agencies, both public and private; except that in developing standards governing any such withdrawals, the Secretary shall give due consideration to future alternative uses of such areas subject to withdrawal; and

(10) to assist and advise the Council on Environmental Quality established under title I of this Act.

SEC. 202. The Secretary is further authorized for the purposes of this title (1) to make grants and enter into contracts or cooperative agreements with public or private agencies or organizations, or individuals, (2) to accept and use donations of funds, property, personal services, or facilities, (3) to acquire selected areas of lands or interests in lands by donation, acquisition with donated funds, devise, or exchange for acquired lands or public lands under his jurisdiction which he finds suitable for disposition, (4) to administer such lands or interests for experimental purposes, including the observation and manipulation of natural areas, and (5) to issue such regulations as he deems necessary with respect to the administration of such lands.

SEC. 203. Activities authorized under this title may be carried out on lands under the jurisdiction or control of other departments or agencies of the Government only with the approval of the head of the department or agency concerned.

SEC. 204. The Secretary shall consult with and provide technical assistance to departments and agencies of the Government, and he is authorized to obtain from such departments and agencies such information, data, reports, advice, and assistance as he deems necessary or appropriate, and which can reasonably be furnished by such departments and agencies in carrying out the purposes of this title. Any Federal agency furnishing advice or assistance hereunder may expend its own funds for such purposes, with or without reimbursement by the Secretary.

SEC. 205. Nothing in this title is intended to give, or shall be construed as giving, the Secretary any authority over any of the authorized programs of any other department or agency of the Government, or as repealing, modifying, restricting, or amending existing authorities or responsibilities that any department or agency may have with respect to the natural environment. The



in my area of Wisconsin where his family summer cottage is located. His funeral is today in Havana, Illinois. We all join in paying our respects and expressing our sympathy to his family. Scott Lucas will be missed by all of us.

(Mr. LAIRD asked and was given permission to revise and extend his remarks.)

Mr. GERALD R. FORD. Mr. Speaker, will the gentleman yield?

Mr. PRICE of Illinois. I yield to the distinguished minority leader.

Mr. GERALD R. FORD. Mr. Speaker, I thank the gentleman for yielding.

Although it was not my privilege to know the Honorable Scott Lucas as a Member of the House of Representatives, and although I did not know him well when I served concurrently in this body, and he in the other body, however, I did become well acquainted with him after his departure from the Senate.

He was a gentleman of the highest order. His reputation was one of the finest, not only here, but throughout the country. Scott Lucas had a multitude of friends in every segment of our society. I thoroughly enjoyed his friendship. I greatly admired his record of public service.

I join with the others in extending to his family our deepest condolences at this time.

Mr. SPRINGER. Mr. Speaker, will the gentleman yield?

Mr. PRICE of Illinois. I yield to the gentleman from Illinois.

Mr. SPRINGER. I thank the gentleman for yielding.

Mr. Speaker, for some 4 years I was Scott Lucas' Congressman, and when the change was made to put Mason County in the 22d Congressional District in 1961, he made it a point to visit my office and to welcome me to the district as his Congressman.

Although he had been a member of the other party all of his life, and had served in this body and also in the other body, and had been majority leader in the other body for a number of years, he was the kind of a man who anyone would want to know, regardless of party affiliation. He was one of those typical midwest Illinoisians, as I would describe him, who not only was interested in his country but who enjoyed all of the things that we do in the middle west, and central Illinois; such as hunting and fishing. He lived on the Illinois River, and for a number of years took an active part in the promotion of all the recreational legislation along the Illinois River, and in which he had taken an active part while in the Congress.

He was a man in his home community of Havana who was recognized, and who was loved by everyone. He was not one of those who was appreciated every place except in his home community, he was loved and respected there as much as he was in Washington.

Mr. Speaker, I am happy to pay tribute to this good man, and proud of the fact that I had known him such a long time. He was one of the finest gentlemen I have ever known.

Mr. McCORMACK. Mr. Speaker, will the gentleman yield?

Mr. PRICE of Illinois. I yield to our distinguished Speaker, the gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. I thank the gentleman for yielding.

Mr. Speaker, I was very grieved when I read of the death of my dear and valued friend for many years, the late Scott W. Lucas, of Illinois. Scott Lucas and I enjoyed a close personal friendship for many years, a friendship that emanated in this body, continued while he was a Member of the other body, and continued after the termination of his services in the other branch of the Congress.

Scott W. Lucas served 2 years in this branch of the Congress, and was elected to the Senate in 1938. He was honored by his Democrat colleagues in the U.S. Senate by being elected as the majority leader, the Democrat leader of that body, in which position he served with great distinction.

Scott W. Lucas was a strong Democrat, but he had a profound feeling of respect and friendship for his Republican colleagues. Like myself, he had a strong feeling of respect for the dignity of both political parties in the United States because he realized that the best means of the American people expressing their views and placing responsibility was through the medium of the two-party system. So while he was a strong Democrat, he was not an enemy, he was an advocate of the Democratic Party, and the principles for which it stood, but he always respected, as I said, the dignity and the position and the importance of the two-party system under our scheme of form of government.

Scott Lucas was a progressive. As has been stated by my friend, the gentleman from Illinois [Mr. PRICE], he strongly supported social security and all other progressive bills. He was also one of the strongest advocates that the agricultural community of America had in either branch of the Congress of the United States. He was always fighting for the best interests of the farmers of our country, and doing so with great success both in this body and in the other body.

Over and above that he was also a firm supporter of a strong foreign policy and also a strong supporter of a powerful national defense.

Scott Lucas has made his mark, and his contributions to the dignity and strength and progress of our country are written in the pages of the legislative history of our country.

He was a great American and an outstanding legislator. In his passing I have lost a dear, valued, close, and personal friend. I extend to his son my deepest sympathy in his great loss and sorrow.

#### GENERAL LEAVE

Mr. PRICE of Illinois. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days to extend their remarks in tribute to the late Honorable Scott W. Lucas.

The SPEAKER pro tempore (Mr. SELDEN). Without objection, it is so ordered.

There was no objection.

#### AMERICAN CIVIL LIBERTIES UNION ATTEMPTING TO DICTATE TO PRINCIPALS OF PUBLIC SCHOOLS IN FLORIDA

(Mr. HALEY asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous matter.)

Mr. HALEY. Mr. Speaker, I have today sent to the desk, for appropriate reference, a petition bearing the signatures of more than 12,000 of my constituents who are properly concerned by an effort of the American Civil Liberties Union to dictate to principals of public schools in the State of Florida.

The purpose of this petition is to protest the uninvited and unwanted effort of the ACLU to intrude itself into matters of public school administration which are the business of the principals and not of this outside organization.

This presumptuous effort was made, as is set forth in the petition, through a letter, dispatched last year, warning all principals of schools in my State against holding religiously oriented Christmas celebrations in the schools.

I scarcely need say that I sympathize with the point of view expressed in this petition. I have been an unwavering objector of the so-called school prayers decision of the Supreme Court, which was the product of this tribunal's remarkable ability to misinterpret the real meaning of the U.S. Constitution in such manner as to substitute its own sociological-ideological beliefs for the law of the land and of its various States. It is my hope that the day will come when those of us in the House who disagree with this decision would be allowed the opportunity to vote on the proposed constitutional amendment to negate it.

It seems obvious to me—and I believe to almost all Americans—that the Constitution's guarantee of "freedom of religion" has been distorted by the Supreme Court to mean "freedom from religion," which is an entirely different matter. By denying the opportunity for voluntary expression in public schools of religious beliefs, the Supreme Court has in effect denied the right of exercise of religious freedom.

#### COMMUNICATION FROM THE CLERK OF THE HOUSE

The SPEAKER laid before the House the following communication from the Clerk of the House of Representatives.

OFFICE OF THE CLERK,  
HOUSE OF REPRESENTATIVES,  
Washington, D.C., February 23, 1968.

The Honorable the SPEAKER,  
U.S. House of Representatives,  
Washington, D.C.

DEAR SIR: I have the honor of transmitting herewith a sealed envelope received by my office at 11:20 a.m., Friday, February 23, 1968, from the White House and said to contain a Message from the President concerning American Cities.

Respectfully yours,  
W. PAT JENNINGS,  
Clerk, U.S. House of Representatives.

#### CORRECTION OF VOTE

Mr. DULSKI. Mr. Speaker, on rollcall No. 26 I am recorded as not voting. I was



present and voted "yea." I ask unanimous consent that the permanent RECORD and Journal be corrected accordingly.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

#### CORRECTION OF VOTE

Mr. DOLE. Mr. Speaker, on rollcall No. 402, first session of the 90th Congress I am recorded as not voting. I was present and voted "yea." I ask unanimous consent that the permanent RECORD and Journal be corrected accordingly.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Kansas?

There was no objection.

#### THE CRISIS OF THE CITIES—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES

The SPEAKER. The Chair lays before the House a message from the President of the United States.

#### CALL OF THE HOUSE

Mr. HALL. Mr. Speaker, under the presumption that this message pertains to the long hot summer, I believe the Members should hear it, and I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 32]

Ashley	Griffiths	Pickle
Baring	Gurney	Pollock
Brasco	Halleck	Pucinski
Brown, Mich.	Halpern	Quile
Buchanan	Hanna	Rallsback
Burton, Utah	Hardy	Rees
Cohelan	Hays	Resnick
Conyers	Jarman	Ronan
Corman	Jones, Ala.	Rooney, Pa.
Dent	King, Calif.	Rostenkowski
Diggs	Lloyd	Roudebush
Dorn	Mailliard	Roybal
Edwards, Calif.	Mathias, Calif.	St Germain
Fallon	Michel	St. Onge
Farbstein	Mink	Schwengel
Feighan	Minshall	Stephens
Fraser	Nix	Sullivan
Gallagher	O'Hara, Ill.	Talcott
Gardner	O'Neal, Ga.	Tunney
Gibbons	Passman	Watkins
Gray	Pepper	Williams, Pa.
Green, Oreg.		

The SPEAKER pro tempore (Mr. ALBERT). On this rollcall, 368 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

#### THE CRISIS OF THE CITIES—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 261)

The SPEAKER pro tempore laid before the House the following message from the President of the United States, which was read:

#### To the Congress of the United States:

The cities that sprang up along the seaports, the river banks and the prairie crossroads of America were built and grew with pride and hope—until the early 20th century.

For several decades, now, the tide has run against the growth, strength and vitality of our cities.

Today, America's cities are in crisis. This clear and urgent warning rises from the decay of decades—and is amplified by the harsh realities of the present.

The crisis has been long in forming. At the turn of the century, Lincoln Steffens told of "the shame of the cities." Jane Addams spoke of "the vast numbers of the city's disinherited."

Powerful forces swept the city after World War II, hastening its erosion.

People who could afford to begin moving by the hundreds of thousands to new suburbs to escape urban crush and congestion. Other hundreds of thousands were trapped inside by a wall of prejudice, denial, and lack of opportunity.

They were joined by still thousands more from America's rural heartland—the unskilled and the unprepared, displaced by advances in technology. Their thirst was for opportunity, for jobs, and for a better life. They found instead a mirage; for stripped of its bright lights, the city for them was poverty, unemployment and human misery.

We see the results dramatically in the great urban centers where millions live amid decaying buildings—with streets clogged with traffic; with air and water polluted by the soot and waste of industry which finds it much less expensive to move outside the city than to modernize within it; with crime rates rising so rapidly each year that more and more miles of city streets become unsafe after dark; with increasingly inadequate public services and a smaller and smaller tax base from which to raise the funds to improve them.

But these problems exist in hundreds of smaller towns and cities across America—towns and cities whose growth is in numbers of people, but not in homes, or jobs, or public services, or schools or health facilities to serve them. The result too often is that these cities grow with decay, human misery, lack of job opportunity and increasingly concentrated poverty.

If the promise of the American city is to be recaptured—if our cities are to be saved from the blight of obsolescence and despair—we must now firmly set the course that America will travel.

There is no time to lose.

#### THE PEOPLE OF THE CITY

The human problems of the city are staggering:

—Ghetto youth with little education, no skills and limited opportunity.

—Citizens afraid to walk their streets at night, and justifiably so.

—Negroes, Puerto Ricans and Mexican Americans barred by prejudice from full participation in the city's life.

Illiteracy and disease, a lack of jobs and even dignity itself—these are the problems of the city, just as its tenelements, traffic jams and rats are problems.

The city will not be transformed until the lives of the least among its dwellers are changed as well. Until men whose days are empty and despairing can see better days ahead, until they can stand proud and know their children's lives will be better than their own—until that day comes, the city will not truly be rebuilt.

That is the momentous and inescapable truth we face in this hour of America's history.

No single statement or message can embrace the solutions to the city's problems. No single program can attack them.

No one can say how long it will take, or how much of our fortune will eventually be committed. For the problems we are dealing with are stubborn, entrenched and slow to yield.

But we are moving on them—now—through more than a hundred programs, long and short range, making financial commitments of more than \$22 billion to the task.

#### THE WORK SO FAR

The last several years have witnessed a remarkable record of legislative achievement—and most of it has borne on the problems of the cities.

We struck down discrimination in job opportunities, public accommodations, and voting in the Civil Rights Acts of 1964 and 1965.

We provided job training for nearly two million disadvantaged men and women who now have the skills to support themselves and their families with dignity and self-respect.

We cut through a century of opposition and controversy to help the poor school child with the Elementary and Secondary Education Act of 1965.

We brought healing and health to the elderly and the poor through Medicare and Medicaid.

We moved to help combat the pollution that poisons a city's air and fouls its waters.

And, with the Economic Opportunity Act of 1964, we finally embarked on a concentrated effort to eliminate poverty in this nation. That landmark measure has helped to change the lives of 6 million Americans.

These programs have brought hope to people in every city and town in America. Children from the slums find a new chance to succeed through Head Start. Poor teenagers earn their first paychecks through a Neighborhood Youth Corps program and stay in school. Needy young men and women, whose talents might once have been their life's frustration, go on to college through Upward Bound. Men find self-respect and good jobs through work training programs. Half a million volunteers are engaged in a mission of service to the destitute of their communities. More than 6 million Americans have been lifted out of poverty.

But almost 29 million citizens still remain in poverty.

If the problems of the city are to be solved, there can be no retreat in the War on Poverty. It must be pressed, with renewed emphasis on the most critical needs of the poor—job opportunities and education for the young, and the chance



to join in cooperative self-help efforts to improve their own lives, as well as to participate in the broader community attack on poverty.

Last year the Congress extended the life of the poverty program for 2 years—but it appropriated only \$1.77 billion, some \$290 million less than we sought.

*For fiscal 1969, I recommend appropriations to the full level of Congressional authorization—\$2.18 billion—for the anti-poverty program.*

All of these measures help the people who live in our cities.

They are new programs, and only now are they beginning to take hold in improving lives of men, women, and children.

With other proposals I have made to Congress this year—for open housing, for safe streets, for gun control, for 500,000 new, private sector job opportunities for the hard-core unemployed, for better education—we can further protect and improve the lot and the life of the city dweller.

Today, however, I want to speak of programs designed especially for our cities—of shelter for its citizens and plans for its revitalization. This message, too, is for men and their families. For our lives are profoundly affected by the environment in which we live, the city in which we work and reside, the home in which we relax and renew our strength.

#### AN EVOLUTIONARY RESPONSE

Five Presidents and fifteen Congresses have forged the Federal response to the problems of housing and urban development.

It began in 1937, when Franklin Roosevelt saw a third of the nation ill-housed. He and the 75th Congress recognized that poor families could not, with their own resources, afford homes on the private market, and that some form of Government help was necessary if they were to have decent shelter. The result was the historic legislation that launched the Public Housing program.

Twelve years later, with the Housing Act of 1949, President Truman and the 81st Congress started urban renewal and pledged "as soon as feasible . . . a decent home and a suitable living environment for every American family."

In the 1954 Housing Act, President Eisenhower and the 83rd Congress expanded the program of urban renewal.

At the beginning of this decade, President Kennedy and the 87th Congress enlarged the Government's role to bring decent houses into the reach of families with moderate income.

In spite of these strides, when I became President:

- We had a loose collection of federal housing agencies, each operating programs in isolation, not only of each other but also of the federal assistance programs of other departments.
- Urban renewal was demolishing slum housing and dislocating people, but not enough new housing was being built for those forced to relocate.
- There was little interest in the private sector—by builders, architects and engineers—in providing decent shelter for poor families, and the public housing program was stagnated in numbers and in quality.

—Our concern with housing, health care, education, welfare and other social services was fragmented in the local neighborhoods where it counts.

Over the past four years, you in the Congress have approved our proposals to:

- Establish a Department of Housing and Urban Development to bring scattered housing and urban development programs together and give the American city the cabinet role it deserves.
- Begin a new program of Rent Supplements to increase the housing supply for needy families. Built and operated by private enterprise, the portion of rent paid by the Government declines as the tenant's income rises.
- Inaugurate the Model Cities Program, the first effort to attack blight on a massive scale and renovate entire neighborhoods, by providing special supplementary grants to those cities that concentrate the entire array of Federal, State and local programs, from health to housing, in the worst slum neighborhoods.

Even these achievements are not sufficient to deal with the crisis our cities face today. They do provide a base on which the proposals in this message build.

#### THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968

*I propose the Housing and Urban Development Act of 1968—a charter of renewed hope for the American city.*

With this Act, the Nation will set a far-reaching goal to meet a massive national need: the construction of 26 million new homes and apartments over the next 10 years. Six million of these will finally replace the shameful substandard units of misery where more than 20 million Americans still live.

This Act will authorize the construction and rehabilitation of 2.35 million housing units with \$2.34 billion of contracting authority for the first five years of the ten year program.

Under this legislation, we will in the year ahead:

- Start 300,000 housing units for more than one million citizens who need federal assistance to obtain decent housing. This is triple the rate of this year, and more than half the number built over the last decade.
- Continue to restore the core of our center cities—and with that, improve the lives of nearly 4 million Americans—through the Model Cities Program.
- Summon the talents and energies of private enterprise to the task of housing low income families through the creation of a federally-chartered private, profit-making housing partnership.
- Make Urban Renewal a more effective instrument for reclaiming neighborhoods, through a new neighborhood development program.
- Add many thousands of construction job opportunities in the inner city.
- Stimulate the flow of private credit for home building in the city by providing flexible interest ceilings on FHA mortgages and transferring

the secondary market operations of the Federal National Mortgage Association to private ownership.

- Help American cities develop modern and efficient mass transit systems and services.
- Offer the American family an alternative to crowded cities and sprawling suburbs, through a program to build new communities.
- Improve planning for the orderly development of public facilities for urban areas.
- Establish a base of research, analysis and knowledge of urban areas so we can make better informed decisions about the cities.

#### WHAT IS REQUIRED

To achieve our housing goal, we must move from low to high production.

We can make that shift only if the challenge summons the commitment of

- The capital and mortgage finance markets*, to supply the private funds which are the lifeblood of the construction industry. These funds must flow steadily and in increasing scale.
- The home building industry*, to tap an expanded Federally-assisted market for private low and moderate income sales and rental housing.
- The genius of American business* to bring to home building, its skill and resources and the methods of modern technology so that houses can be built faster, less expensively and more efficiently than ever before.
- American labor*, which has pledged to provide the necessary skilled manpower without discrimination.
- Government at all levels*, to improve the working relationships with each other, and with the builders, lenders, and low income families who will be served by this program.
- Most importantly, the Congress.*

First, the Congress must take steps now to insure strong, stable economic growth for the nation as a whole and the home building industry in particular.

*Once again I call upon the Congress to pass the anti-inflation tax which I recommended more than a year ago.* Soaring interest rates will cripple the home-building industry. The temporary surcharge tax legislation can help to keep that from happening.

*Second, I urge the Congress to enact the fair housing legislation recommended repeatedly by this Administration.*

*Third, I urge the Congress to renew, fully fund and strengthen the basic housing and urban development legislation already on the books.*

#### HOMES FOR AMERICANS

*I urge the Congress to enact a program to provide 300,000 housing starts in fiscal 1969 for the poor, the elderly, the handicapped, the displaced, and families with moderate incomes.*

This program would:

1. *Enable 100,000 low-income families to buy or repair their own homes.*

Home ownership is a cherished dream and achievement of most Americans.

But it has always been out of reach of the nation's low-income families.

Owning a home can increase responsibility and stake out a man's place in his community. The man who owns a



home has something to be proud of and good reason to protect and preserve it.

With the exception of the pilot program I began last year, low-income families have been able to get Federal help in securing shelter only as tenants who pay rent.

*Today I propose a program to extend the benefits of home ownership to the nation's needy families.*

Under this program, the broad outline of which has already been set forth in S. 2700, low-income families will be able to buy modest homes financed and built by the private sector. These families will devote what they can reasonably afford—a specified percentage of their income—to mortgage payments, with the Government paying the difference in the form of an interest subsidy. Under this interest subsidy, the Federal Government would pay all but 1 percent of the interest on the mortgage, depending on the income of the homebuyer.

*2. Start 75,000 public housing units, to provide homes for 300,000 Americans.*

The job is to turn authorization to action—by accelerating the processing of applications, by moving quickly from commitment to construction, and by involving private industry fully under the new Turnkey concept.

Under Turnkey, a low-income project can be put up in less than half the time traditionally required for public housing.

Turnkey frees the builder from complicated and cumbersome procedures and stimulates his initiative to develop imaginative and well-designed buildings at lower cost.

We have already extended the Turnkey concept to enable private industry not only to build low-income housing developments, but also to manage them.

Some Public Housing projects built in the past—when the challenge was simply to get units in place—reflect a tasteless conformity, and an indifference to community amenities.

At my direction, the Secretary of the Department of Housing and Urban Development has been working with leading architects and planners to achieve higher design standards for public housing developments. We know new projects can be pleasant places to live, reflecting the needs of human beings, with attention to comfort and convenience.

Our concern must be not only with the quantity of new public housing, but with its quality as well.

*I propose a \$20 million program to promote improved tenant services in public housing developments.*

With these funds, we can enable those who live in public housing to take better advantage of job, health and education opportunities.

We can help and encourage them to become involved, personally and responsibly, in the day-to-day problems of the projects where they live.

*3. Authorize 72,500 units under the Rent Supplement Program to provide shelter for almost 250,000 poor Americans. In fiscal 1969, 35,000 dwelling units will be started under this program.*

This program, which holds so much promise for the poor families of America, has been underfunded by the Congress. Last year, we sought \$40 million in an-

nual payment authority. The Congress granted only \$10 million.

Rent Supplements is a free-enterprise program, strongly endorsed by the home building, real estate, and insurance industries which have responded enthusiastically to this new approach to low-income housing. It contains incentives for escape from poverty, while creating modest, but decent shelter for those in poverty.

If we are to match our concern for the cities with our commitments, this program must be adequately funded.

*I recommend \$65 million in authority for the Rent Supplement Program for Fiscal 1969.*

*4. Begin to build 90,000 rental housing units for 360,000 members of moderate income families.*

A program to provide housing for families with incomes too high to qualify for public housing, but too low to afford standard housing, began in 1961.

This is a below market interest rate program known as "221(d)(3)." It serves families earning between \$4,000 and \$8,000 a year.

After 5 years of testing, we are ready now to move this program into full production.

But first we must improve it.

*I recommend legislation to strengthen the financial tools under which the moderate income rental housing program operates.*

Under this legislation, capital financing would be shifted to the private sector, and the Government would increase its support by providing assistance to reduce rents to levels moderate income families can afford.

Now the Government provides financial support for loans at 3 percent interest. Under this new arrangement, the private sector would make loans at market rates. The Government would make up the difference between the market rate of interest and 1 percent. The loans would remain in private hands.

#### TO HELP THE NONPROFIT SPONSOR

Many housing projects are sponsored by non-profit organizations—including church groups, and fraternal orders. In many instances these groups lack the technical and financial know-how which modern construction demands.

Their efforts are in the best interests of this nation, and the nation should help them.

*I propose legislation to provide needed technical assistance and skills to the non-profit sponsors of our housing programs.*

Through grants, loans, and technical assistance, this program will help small private non-profit organizations in our cities. These organizations will then be able to draw quickly upon architects, engineers, and financial experts to speed the construction of low income housing.

#### THE BLIGHTED NEIGHBORHOOD

##### MODEL CITIES

The slum is not solely a wasteland of brick and mortar. It is also a place where hope dies quickly, and human failure starts early and lingers long.

Just as the problem of the slum is many-faced, so must the effort to remove it be many-sided.

The Model Cities program gave us the

tools to carry forward the nation's first comprehensive concentrated attack on neighborhood decay.

It was developed by some of the country's foremost planners, industrialists and urban experts.

The program is simple in outline—to encourage the city to develop and carry out a total strategy to meet the human and physical problems left in the rubble of a neighborhood's decay.

That strategy, which Model Cities spurs through special grants, is to bring to a dying area health care services, as well as houses; better schools and education, as well as repaved streets and improved mass transit; opportunities for work, as well as open space for recreation.

This program is now in its early stages. Sixty-three cities are drawing their plans to reclaim the blighted neighborhoods where 4 million Americans live. By this summer, a second group of cities will begin their planning.

Last year, I requested full funding of the amount authorized for Model Cities—\$662 million. But the Congress approved less than half that amount.

To the cities of this land, that cut came as a bitter disappointment.

In the cities' struggle for survival, we dare not disappoint them again. We must demonstrate that they can rely on continued Federal support.

I recommend \$2.5 billion for the Model Cities special grants over the next three years:

—\$500 million for fiscal 1969.

—\$1 billion each for fiscal 1970 and 1971.

In addition, for fiscal 1969 I recommend \$500 million in appropriations for urban renewal solely related to the Model Cities program. This includes full funding for a \$350 million increase in the authorization.

The total funds needed to move the Model Cities program forward in fiscal 1969 are \$1 billion.

I urge the Congress to fund fully this vital request for the people who live in America's worst urban neighborhoods.

#### URBAN RENEWAL

Urban renewal is the weapon that deals primarily with the physical side of removing blight. An essential component of the Model Cities program, it is a major instrument of reform in its own right.

Last year, nearly 900 American communities were reclaiming inner city land under urban renewal.

Last year, the Congress appropriated \$750 million for urban renewal in fiscal 1969.

*To give communities sufficient lead time for planning, I recommend that the Congress appropriate now \$1.4 billion for fiscal 1970.*

Even at these higher appropriation levels, under existing law urban renewal will not operate at sufficient speed to overtake the decay of our cities.

The lag between a community's decision to rebuild a neighborhood and the breaking of ground is far too long. Urgent neighborhood needs go unmet, awaiting the development and approval of a total plan for an entire area.



We must begin now to make urban renewal more immediately responsive to urban needs.

*To apply our resources more quickly, I recommend that Congress authorize a new Neighborhood Development Program under Urban Renewal.*

This legislation would permit detailed planning and execution to proceed segment by segment in an urban renewal area. Under existing law, neither demolition nor rehabilitation can begin on any portion of the area to be renewed until it is ready to begin throughout the entire area.

With this Neighborhood Program, cities can start work quickly on the most pressing problems that are to be renewed, with the emphasis on the construction of new and rehabilitated housing.

#### MEETING THE INSURANCE CRISIS OF OUR CITIES

Insurance protection is a basic necessity for the property owner. But for the resident of the city's inner core and the local businessman who serves him, protection has long been difficult to obtain.

The problem has been heightened by civil disorder or its threat.

Last August I established a Special Panel to seek the solutions to this problem. The Panel, headed by Governor Richard Hughes of New Jersey, offered a clear example of how the States, industry and the Federal Government can join in a constructive effort.

The Panel looked deeply into the property owner's dilemma, and reported:

Society cannot erase the suffering of the innocent victims of fire, windstorm, theft, or riot. But it can at least provide the opportunity to obtain insurance to safeguard their capital, and thereby prevent a disastrous occurrence from becoming a permanent tragedy.

The Panel recommended a comprehensive program of mutually supporting actions by the insurance industry, the States, and the Federal Government.

My advisers and I have reviewed the Panel's proposals carefully. We believe they are sound.

Accordingly, I call upon the insurance industry to take the lead in establishing plans in all States to assure all property owners fair access to insurance. These plans will end the practice of "red-lining" neighborhoods and eliminate other restrictive activities. They will encourage property improvement and loss prevention by responsible owners.

I call upon the States to cooperate with the industry and, where necessary, to organize insurance pools and take other steps to cover urban core properties. These measures will assure that all responsible property owners can obtain insurance, and provide a method of spreading equitably throughout the insurance industry risks that no single insurer would otherwise accept.

*I recommend that the Congress establish a cooperative Federal-State-Industry program by chartering a National Insurance Development Corporation within the Department of Housing and Urban Development.*

This Corporation will bring together all those vitally interested in the inner city insurance problem—members of the public, state insurance regulators and

other state officials, insurance industry representatives, and interested Federal agencies.

The Corporation will perform a number of vital functions in support of the actions of private industry and the states to assure adequate property insurance in all areas of our nation's cities.

Through the sale of reinsurance against the risk of civil disorders, the Corporation will marshal the resources of the insurance industry and add to this the backing of the states and the Federal Government. Without this reinsurance, many insurers and state insurance regulators do not believe the industry can move forward to provide adequate property insurance in urban areas.

This program will assist the insurance industry and the States to offer adequate property insurance for the inner cities. Through reinsurance, the program can help the States provide for the contingency of any large emergency losses.

For those companies who participate in this program, *I recommend tax deferral measures, proposed by the Panel, to increase the industry's capacity to insure homes and businesses in the center city.*

This program will encourage insurance companies to increase their reserves to cover unusual losses. Any deferred taxes will be invested in appropriate Government securities, so that no Federal revenues will be lost by the tax deferral unless unusual losses do occur.

Insurance is vital to rebuilding our cities. It is a cornerstone of credit. It can provide a powerful incentive for homeowners and businessmen to rehabilitate their own property and thereby improve the community.

#### THE PRIVATE SECTOR

The Federal role—a quarter of a century in the making—is designed to assure that every citizen will be decently housed.

The Government's concern is to stimulate private energy and local action—to provide capital where needed, to guarantee financing, to offer assistance that encourages planning and construction.

The real job belongs to local government and the private sector—the homebuilder, the mortgage banker, the contractor, the non-profit sponsor, the industrialist who now sees in the challenge of the cities a new opportunity for American business.

All of the programs I have outlined in this message are directed toward the deeper involvement of the private sector. That involvement must match the massive dimension of the urban problem.

What is needed is a new partnership between business and Government. The first outlines of that partnership are already visible.

We see it in:

—The recent undertaking of the American Bar Association to improve the landlord-tenant laws—now more medieval than modern—and to attack other legal problems in our urban centers.

—The commitment of 318 of the nation's life insurance companies to invest \$1 billion of their capital in low-income housing.

Within the next several days, the Savings and Loan Associations and the Mutual Savings Banks of this nation will announce their plans to intensify the investment of their capital for similar purposes.

#### NATIONAL HOUSING PARTNERSHIPS

How can the productive power of America—which has mastered space and created unmatched abundance in the marketplace—be harnessed to meet the most pressing unfilled needs of our society: rebuilding the urban slum?

Last June, I asked a select Commission of leading industrialists, bankers and labor leaders to study this question. That Commission, headed by Edgar F. Kaiser, has now given me an interim report with many valuable recommendations.

Acting on the Commission's recommendation, *I propose that the Congress authorize the formation of privately-funded partnerships that will join private capital with business skills to help close the low-income housing gap.*

The Kaiser Commission identified three principal reasons why American industry has not yet been attracted to the field of low and moderate-income housing. The problems and the steps proposed to meet them are:

##### 1. CONCENTRATION OF RISK

The profitability of individual housing projects varies widely and the risk of loss on any one project is high. The proposed national partnerships would permit industrial and financial firms to pool their investments and spread their risks over a large number of projects.

##### 2. RATE OF RETURN

Substantial operating losses are usually incurred in the first 10 years of a housing project's life to cover operating expenses, interest and depreciation.

By employing the partnership form of organization, which some building owners now use, under existing tax law these operating losses can be "passed through" to each investor, and offset against the investor's other taxable income. This reduces the investor's current income taxes otherwise payable, and makes possible an annual cash return on investment comparable to the average earnings of American business in other manufacturing enterprises.

##### 3. MANAGEMENT

The management personnel of major corporations are inexperienced in the field of low income housing. They cannot afford to devote substantial time to occasional housing ventures.

The proposed national partnerships would be strongly financed organizations, fully committed to long term activity in the single field of housing for the poor. As such, the proposed partnerships should be able to attract top flight management and technical experts on a competitive career basis.

The objective of these partnerships will be to attract capital from American industry and put that capital to work. Their exclusive purpose will be to generate a substantial additional volume of low and moderate income housing. They will use the best private management talent, planning techniques and advanced methods of construction. They



will probe for the savings inherent in the latest technology and in economies of scale.

They will:

- Participate in joint ventures throughout the country in partnership with local builders, developers and investors.
- Join with American labor to open new job opportunities for the very people their projects will house.
- Participate in our existing and proposed federal programs for assisting low and moderate-income housing projects on the same basis as other project sponsors.

This new undertaking will begin with one national partnership. We expect that others will follow as the approach proves itself.

#### A NEW ERA IN HOME FINANCING

The supply of credit is not unlimited. The nation's banks, insurance companies, pension funds and other financial sources have an obligation to their depositors and shareholders to seek a fair and competitive return for their investments.

To insure that home financing remains competitive with alternative long-term investment opportunities, I recommend that the Congress:

- authorize the Secretary of Housing and Urban Development to adjust the FHA interest rate ceilings.
- authorize federal insurance of bond obligations issued by private mortgage companies or trusts holding sizeable pools of FHA-insured and VA-guaranteed home mortgages.
- transfer the secondary market operations of the Federal National Mortgage Association to completely private ownership.

#### FHA INTEREST RATES

Mortgages insured by the Federal Housing Administration and the Veterans Administration can by law carry no more than a 6 percent interest rate. In today's market this is no longer competitive. In practical terms, the result is the sale of mortgages at substantial discounts.

Discounts require hard cash beyond the normal downpayment. They erode the hard-earned equity of a home-owner and the profit margin of the builder of new housing. For when the rate of return on federally-insured mortgages is less than lending institutions can obtain from other investments, they require property-sellers to absorb discounts. To sell their homes, therefore, sellers realize less than they originally anticipated. And when builders of large projects—with 90% mortgages of \$1 or \$2 million, or more—must find additional hard cash to pay deep discounts, they will defer construction until the cash requirements are reduced.

As a result, many a house goes unsold and many apartment projects go unbuilt in a deep credit squeeze.

To assure a steady flow of funds into homebuilding, I recommend that the Congress authorize the Secretary of Housing and Urban Development to adjust the FHA interest rate ceilings to reflect the economic realities of the financial markets. I have already recom-

mended a similar adjustment on the interest rates for home loans to veterans.

#### FEDERALLY INSURED MORTGAGE BONDS

Some private institutional and individual investors have shunned investments in home mortgages because they could realize nearly comparable rates of return in other investments, and avoid the book-keeping and paper work associated with hundreds of individual mortgages.

These pools of savings—in large institutional pension funds, private trusts, and occasionally in individual estates—can be attracted to residential finance. It will take a new, marketable financial investment, with competitive yields and security. Such a bond-type obligation can be created to cover federally-insured mortgages held by private mortgage bankers or trusts.

To enhance the attractiveness of such an obligation to investors, and thus attract additional funds to the housing market, I recommend that the Congress authorize the Department of Housing and Urban Development to insure mortgage bonds that are secured by pools of FHA-insured and VA-guaranteed mortgages.

#### FEDERAL NATIONAL MORTGAGE ASSOCIATION

Through the Federal National Mortgage Association, the Federal Government has helped keep mortgage funds flowing by buying mortgages when credit was tight and selling them when money was plentiful.

Today, FNMA is a hybrid, owned in part by private shareholders, in part by the government, but managed by Government officials.

This secondary market operation is largely a private function, which ought to be performed by the private sector—as the Congress has always intended.

I propose legislation to transfer the secondary market operation of the Federal National Mortgage Association on an orderly basis to completely private ownership.

This new FNMA, concerned exclusively with providing an increasing and continuous flow of funds into residential financing will close an important gap in the existing network of financial institutions.

This change will not affect the Government's special assistance to selected types of mortgages which are not yet readily accepted in the private market.

#### URBAN TRANSPORTATION

In the modern city the arteries of transportation are worn and blocked. The traffic jam has become the symbol of the curse of congestion.

It was only a few years ago, however, that we recognized this as a national problem. In signing the Urban Mass Transportation Act in 1964, I said:

This is a many sided challenge. We cannot and we do not rely upon massive spending programs as cure-alls. We must instead look to closer cooperation among all levels of government and between both public and private sectors to achieve the prudent progress that Americans deserve and that they expect.

Under this Act, we are

- Aiding cities to draw the blueprints to modernize, expand and reorganize their transportation systems.

—Helping to train specialists in the urban transportation field.

—Advancing research to improve the system and the service.

—Assisting communities to buy the capital equipment and to build terminals for their transit systems.

We must step up this effort.

In the year ahead, we expect to increase our grants to cities from \$140 million to \$190 million.

*I recommend that the Congress provide \$230 million for fiscal 1970 so cities can begin now to plan the improvement of their mass transit systems and service to the people.*

Urban transportation is the concern of our two newest Departments—Housing and Urban Development, and Transportation.

The Department of Housing and Urban Development is responsible for the development of the metropolitan community—and transportation is an essential part of that effort.

The Department of Transportation is responsible for the coordination of different—but closely related—modes of transportation. Moreover, research facilities bearing on transportation—out of which will come the transportation technology of tomorrow—are concentrated in this Department.

When the Department of Transportation was established in 1966, the Congress required both Secretaries of Housing and Urban Development and Transportation to study this problem and recommend the arrangement which would best assure the Government's ability to meet the transportation needs of America's urban citizens.

On the basis of their intensive study, and their recommendations, I will shortly submit a reorganization plan

—transferring to the Department of Transportation the major urban transit grant, loan, and related research functions now in the Department of Housing and Urban Development.

—Maintaining in the Department of Housing and Urban Development the leadership in comprehensive planning at the local level, that includes transportation planning and relates it to broader urban development objectives.

#### RESEARCH AND TECHNOLOGY FOR THE CITIES

Federally-sponsored research has helped us guard the peace, cure disease, and send men into space.

Yet, we have neglected to target its power on the urban condition. Although 70 percent of our people live in urban areas, less than one-tenth of one percent of the Government's research budget has been devoted to housing and city problems.

We must:

- Learn how to apply modern technology to the construction of new low-income homes and the rehabilitation of old ones.
- Test these ideas in practice, and make them available to builders and sponsors.
- Look deep into the fiscal structure of the cities—their housing and building codes, zoning, and tax policies.



—Learn how best the federal government can work with state and local governments—and how states and local governments can improve their own operations.

—Evaluate our city programs, so we can assess our priorities.

Last year, I sought the first major appropriations for urban research: \$20 million. Congress appropriated only half that amount.

*I once again propose a \$20 million appropriation for urban technology and research.* This will assist the universities and private institutions of America to carry out the studies so crucially needed.

These funds, along with those from other Government agencies, will also help launch the new Urban Institute, which I recently recommended. This is a private non-profit research corporation formed to create a bank of talent to analyze the entire range of city problems.

#### PLANNING FOR THE FUTURE

A passenger on an airline flying from Miami to Boston is rarely out of sight of city lights below.

As our urban areas expand, the citizen's sense of community broadens. He may live in one locality, work in another and seek leisure in still another.

The face of the landscape is changing with our growth.

The question is: *How shall our communities grow?*

Unless we decide now for order and purpose, the result will be surrender to chaos, confusion, ugliness and unnecessary and exorbitant cost.

The key to orderly growth is planning—planning on an area-wide basis.

Planning, both immediate and long-range, is the function and the responsibility of the State and community. But the Federal Government has long recognized the need for its support.

That need grows as the problem grows.

*I urge the Congress to provide \$55 million in Fiscal 1969 to assist planning for the orderly growth of our urban areas, a 22-percent increase over last year.*

So essential is orderly development to the future of our urban centers that we must provide incentives to encourage it. In 1966 the Congress authorized—but did not fund—such a program of incentive grants.

*I ask Congress to authorize \$10 million for a program of area-wide Incentive Grants in Fiscal 1969.*

The Federal share of a project will increase by up to 20 percent of the costs of projects of areawide significance—if they are part of a comprehensive area plan.

The far-sighted community which responds to this incentive program will find its burdens lighter in providing hospitals, roads, sewage systems, schools and libraries.

#### NEW COMMUNITIES

Over the next decade, 40 million more Americans will live in cities.

Where and how will they all live? By crowding further into our dense cities? In new layers of sprawling suburbia? In jerry-built strip cities along new highways?

Revitalizing our city cores and improving our, expanding metropolitan areas will go far toward sheltering that new

generation. But there is another way as well, which we should encourage and support. It is the new community, freshly planned and built.

These can truly be the communities of tomorrow—constructed either at the edge of the city or farther out. We have already seen their birth. Here in the nation's capital, on surplus land once owned by the Government, a new community within the city is springing up.

In other areas, other communities are being built on farm and meadow land. The concept of the new community is that of a balanced and beautiful community—not only a place to live, but a place to work as well. It will be largely self-contained, with light industry, shops, schools, hospitals, homes, apartments and open spaces.

New communities should not be built in any set pattern. They should vary with the needs of the people they serve and the landscapes of which they are a part.

Challenge and hard work await the founders of America's new communities:

—Careful plans must be laid.

—Large parcels of land must be acquired.

—Large investments in site preparation, roads and services must be made before a single home can be built and sold.

—The development period is long, and return on investment is slow.

—But there is also a great opportunity for, as well as a challenge to, private enterprise.

The job is one for the private developer. But he will need the help of his Government at every level.

In America—where the question is not so much the standard of living, but the quality of life—these new communities are worth the help the Government can give.

*I propose the New Communities Act of 1968.*

For the lender and developer, this Act will provide a major new financing method.

A Federally-guaranteed "cash flow" debenture will protect the investment of private backers of new communities at competitive rates of return. At the same time, it will free the developer from the necessity to make large payments on his debts, until cash returns flow from the sale of developed land for housing, shops and industrial sites.

For the local and State government, the Act will offer incentives to channel jointly-financed programs for public facilities into the creation of new communities. The incentives will take the form of an increased Federal share in these programs.

#### A SENSE OF PLACE AND PURPOSE

A city—

Vachel Lindsay wrote—

is not builded in a day.

Nor—we know well—will its problems be conquered in a day. For the city's tides have been ebbing for several decades. We are the inheritors of those tragic results of the city's decline.

But we are the ones who must act. For us that obligation is inescapable.

Our concern must be as broad as the problems of men—work and health, edu-

cation for children and care for the sick. These are the problems of men who live in cities. And the very base of man's condition is his home: he must find promise and peace there.

The cry of the city, reduced to its essentials, is the cry of a man for his sense of place and purpose.

Violence will not bring this. But neither should fear forestall it.

The challenge of changing the face of the city and the men who live there summons us all—the President and the Congress, Governors and Mayors. The challenge reaches as well into every corporate board room, university, and union headquarters in America. It extends to church and community groups, and to the family itself. The problem is so vast that the answer can only be forged by responsible leadership from every sector, public and private.

We dare not fail to answer—loud and clear.

To us, in our day, falls the last clear chance to assure that America's cities will once again "gleam, undimmed by human tears."

No one can doubt that the hour is late.

No one can understate the magnitude of the work that should be done.

No one can doubt the costs of talk and little action.

As we respond to the cities' problems—to the problems caused by the accumulated debris of economic stagnation, physical decay and discrimination—let us recall and reaffirm the reasons for our national strength: unity, growth and individual opportunity.

And recalling these truths, let us go forward, as one nation in common purpose joined, to change the face of our cities and to end the fear of those—rich and poor alike—who call them home.

LYNDON B. JOHNSON.

THE WHITE HOUSE, February 22, 1968.

The message was, without objection, referred by the Speaker pro tempore (Mr. ALBERT) to the Committee of the Whole House on the State of the Union and ordered to be printed.

(Mr. ROGERS of Colorado asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. ROGERS of Colorado. Mr. Speaker, a Federal program of areawide incentive grants as proposed by President Johnson in his message on the cities would offer help to communities across the Nation that are now faced with increasing demand for public facilities. Water and sewer system, hospitals, nursing homes, cultural and recreational facilities all are needed to serve a growing, urbanizing population.

When several communities combine projects to develop public facilities and carry out planning on an areawide scale, they share in the economies that result. This is a proven fact.

And yet this kind of "economy of scale" planning is not as widespread as it should be.

The proposed program would provide supplemental grants to localities engaged in sound, areawide planning. Such grants would increase by up to 20 percent the cost of eligible projects. This would offer a number of important benefits.



It would provide public facilities for a broader section of the population. It would encourage more systematic and coordinated planning by the communities involved. It would result in more localities sharing in the benefits of projects planned with an eye to economy of scale.

The supplemental grants program not only would encourage better planning and save money, but would have other, far reaching effects as well.

Localities already taking an areawide approach would be encouraged to continue. Qualifying areas would be stimulated to develop effective institutions and procedures for dealing with facilities development and other problems. Local funds, released through the economies achieved, could be used to help meet other community objectives.

Joining forces, with the incentive provided by Federal supplemental grants, the cooperating local jurisdictions could provide better service to more people in a larger area at lower cost.

(Mr. HOLIFIELD asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. HOLIFIELD. Mr. Speaker, the President's proposals on insurance in the center cities are both significant and commendable. The problems of obtaining insurance in our blighted urban areas are well known to anyone who has studied the question. The inability to obtain this insurance is a real obstacle to the revitalization of our cities.

The lack of insurance in times as troubled as last summer results in a tremendous financial loss for our cities—a loss which only exaggerates the reluctance of our businesses to invest in our blighted urban areas.

This is a tragic situation we as a nation cannot afford. But it is a tragedy we can avoid in the future—if we have the courage and the foresight to stand behind the insurance provisions in the President's message.

It is obvious that the task of offering adequate insurance to residents of the inner city has become too enormous, and too onerous, to be undertaken by the insurance industry alone. We must combine the resources of the industry itself and of government at all three levels—Federal, State, and local—not only to save our cities from further deterioration, but to begin rebuilding them.

The property insurance proposals in the message call for a partnership between the industry and government which would result in adequate protection for all concerned—for the companies that volunteer to participate in the program, and for the property owner living in the inner city.

The proposals face up to the problems directly—and offer constructive solutions. Let us join together in acting on them favorably.

Mr. PATTEN. Mr. Speaker, the President has asked us to face up to the challenge of our cities. It is as great a challenge as any ever posed this Nation. Our response to it will determine the Nation's well being in the years to come.

Today, approximately 140 million Americans live in urban areas. This number is expected to rise to 280 million by the year 2000.

The millions of new Americans—too many of them poor—who will be in urban communities before the end of the century will place unparalleled demands on the housing industry.

As the President has pointed out, an industry which in its best year produced 1.6 million new units will have to complete approximately 26 million units a year and be prepared to sustain this rate of production for 10 years.

The business community has a vital stake in this effort. The brunt of the drive to keep pace with the demand for housing—the renewing of old cities and the building of new ones—must be borne by private funds, private firms, and private leadership.

Already private enterprise has begun to respond—to an encouraging degree. But much more of a commitment is needed. No concerned American can ignore the plight of our cities any longer. For too many years both the Federal Government and business have avoided the problem. The President has asked us to face up to it today. Both sectors, public and private, can only respond with a commitment of resources as the President has asked. We must support him—and act now.

Mr. KYROS. Mr. Speaker, in the days ahead when we debate over the needs of the cities, we will be listening carefully to hear how America's private enterprise system has reacted to the President's message.

If the business community is largely silent, if it turns a deaf ear to all calls for meeting the needs of our cities, then all our debate shall have an empty ring. For nothing is more crucial to solving today's and tomorrow's urban problems than business and industry assuming a leadership role.

Without the active participation of businessmen in rebuilding urban America, we can accomplish only token success. If we gain only a token success we shall miserably fail, and God help America.

Let us hope and pray that, when we hear from business and industry, we will hear more than token support for the measures in the President's message. Token support is not sufficient to reverse the tides that threaten all who live and learn and work in the cities and metropolitan places—over 140 million people. It has become too commonplace that we cannot hope to succeed without industry support and participation. That is true, of course. But the task ahead is massive. It cannot afford halfhearted or window-dressing-type support.

It is time for all-out leadership by not just 25 leading corporate executives but by hundreds or thousands of such executives who are willing to join forces in solving our urban problem.

We in Congress can do only so much, the President can do only so much, mayors and Governors can do only so much, community leaders can do only so much—unless private enterprise does its full share.

In his message on the cities, President Johnson has offered an opportunity for increased business participation—he has asked that Congress charter national housing partnerships.

These partnerships will be privately

funded and can attract large amounts of private investments that are so necessary to build low-income housing in large volumes.

It is now up to Congress to provide additional incentives to private enterprise and thus encourage their increased involvement in urban problems. I urge my colleagues to join with me in acting favorably on the President's proposal.

Mr. TENZER. Mr. Speaker, the President has spelled out what he believes is necessary to rebuild our cities and now it is up to Congress to act on his proposals. We in this Chamber will be moving forward with our deliberations bearing in mind the temper of the Nation and the degree of public response to the President's appeal for prompt action.

I am greatly encouraged, as most of us are with the reports of strong support for the President's proposals which have already been received from one of the most important of all segments of our public—private industry. This indeed is most encouraging.

Industry has a real stake in the cities. When we think of the vast changes in our skylines, in our new expressways and other great construction projects, we are forced to realize that these changes have been wrought directly or indirectly by the growth of industry and the changing patterns of our private enterprise system. Say what you will about the movement of plants to the suburbs, or about now kinds of service industries, there is no doubt that nearly all business growth takes place in and around our cities.

If there is a crisis in our cities, then our business executives know—or at least are coming fast to know—that their own corporations have a crisis, too. As Fortune magazine recently pointed out, business and the Negro and the city have a common cause in wiping out the root causes of urban decline, blight, joblessness, crime, and other ills. Quoting Fortune:

American business, busily generating change, has in the main stood apart from the responsibilities—and the opportunities—of coping with the community needs that arise from change. . . . The business attitude toward the problems of the city is shifting.

The President's message on the cities offers hope for increasing the opportunity for participation of private enterprise.

Most important it contains a proposal that Congress authorize privately funded partnerships to bring increased private capital to bear on urban problems, particularly the problem of low-income housing. Also by enlisting business skills and putting them to work in our cities, we can begin with confidence the massive task that lies ahead.

I call to the attention of my colleagues the following editorial which appeared in the February 24, 1968, edition of Newsday as further evidence of the expressions of support already received for the President's proposals:

[From Newsday, Feb. 24, 1968]

#### PARTNERSHIP IN THE SLUMS

President Johnson's message to Congress on the needs of the cities is impressive, not only for his proposal to provide 6,000,000 new housing units for low and middle income families, but also because of his summons to



the private sector of the economy to join in the replacement of slum housing.

Certainly if our private enterprise system can pour out new cars, new TV sets and luxuries of all types, why could it not also help to pour out new housing at a rate unprecedented in our history? It is a challenge peculiarly fitted to the mass production economy which began when Henry Ford created the assembly-line system for building motor cars after World War I.

Six million new units would be more than 10 times the 560,000 homes and apartments built with federal aid or incentives during the last 10 years. Both single family homes and apartment rental units would be included. In addition the President proposes federal help for another 20,000,000 new homes for families above the poverty level but still in need of better housing.

Bold action is necessary if the slums are to be rebuilt and if all Americans are to have the opportunity to live in decent houses. Retired Gen. James M. Gavin spells out the challenge in an article in this week's Saturday Review. Gavin, now head of a management consulting firm, says:

"To act with sufficient energy to solve the housing problem we need to end the tired debate about the public vs. the private sector, or liberal-conservative methods. The '60s are not the '20s. We live in a mixed economy. The debate between those who believe that private industry is always bad and federal intervention always good, or that the federal government is always wrong and private industry is always right, has ceased to have any meaning. What we need are new inventions; new ways to attack our urgent problems."

The President's program seeks to establish a minimum standard for housing in America. It will be costly, to be sure, but it is a task that cannot be avoided.

I strongly support the President's goals and the proposals he has set forth today to meet those goals. They present a challenge to all—public, private, and the citizen.

Mr. McFALL. Mr. Speaker, satisfying the need for public facilities to serve the growing urban areas of the Nation—small towns and suburbs as well as the cities—is a major challenge and an unprecedented opportunity to improve the quality of urban life for Americans in communities of all sizes.

Communities in our suburban and rural areas are faced with growing demands for public facilities and growing problems of financial responsibility. The possibility that these necessary facilities—sewer and water networks, hospitals, parks, and public buildings—might be built with poor planning or none at all warrants our utmost concern.

President Johnson has called upon Congress to fund an areawide development grant program. This program will help the growth areas of our nation install public facilities to serve their people.

And areawide cooperation for the economical provision of public facilities, under local initiative, is the goal of this proposal. It will offer incentives to communities to plan for that healthy and orderly growth without which the Nation as a whole will suffer.

In effect it will allow the Federal Government to serve as a catalyst to encourage cooperative local projects.

Localities engaged in sound areawide planning should be encouraged through supplemental grants. Also, those who do not now subscribe to this concept should be made aware of the urgency of systematic planning efforts.

Communities across the Nation are faced with unprecedented demands for public facilities of all kinds: for meeting such basic requirements as water systems and sewer lines; for medical facilities—hospitals, nursing homes, extended care facilities; for cultural and recreational facilities that enhance the quality of our everyday lives—libraries, parks, and community centers.

Many grant programs—such as open space, water and waste disposal systems—partially finance these types of facilities by requiring that projects be consistent with areawide planning. Others do not.

A program to provide supplemental funds for projects that meet specific planning requirements would encourage cooperative efforts to meet an entire area's public facilities requirements while promoting other beneficial consequences. For example:

First. An areawide development grant program would encourage communities to construct public facilities more economically through joint support.

Second. It would encourage the development of effective institutions—such as areawide councils of government and planning councils—for attacking their mutual problems in a coordinated and systematic fashion, rather than on a piecemeal basis.

Third. It would encourage localities already undertaking areawide planning to accelerate their efforts. It would help them to reach compromises and workable arrangements to qualify for supplementary grants.

Fourth. Finally, it would release local funds to realize or hasten community development objectives which otherwise might be slowed or deferred.

The importance of a program which both saves communities' money and makes Federal expenditures go further cannot be overestimated. The joint action, encouraged by this grant program, would achieve economies of scale and provide levels of service unavailable to a single locality going it alone. And certainly, such cooperation will assure orderly growth and development.

For example, a community might submit plans for a library or a water system designed to serve a cluster of small rural communities or even a whole developing urban area—including a specific blueprint for future growth. This type of areawide planning makes better sense than several small facilities built to serve only a limited area. It is a rational allocation of scarce resources—money on the local and national level—and is the only feasible path to follow, if we are to achieve planned development.

Moreover, by demonstrating the efficiencies that can result from planning and programming for public facilities on an areawide basis, the program would earn its cost many times over. It would reward innovative approaches to solving those unpostponable problems of public facility construction faced by communities of all sizes—and such approaches would result in solutions most economical in the long run.

Mr. Speaker, I applaud President Johnson for recognizing the heavy burdens public facility investments are plac-

ing on the rapid growth areas of this country. And I commend his proposal for an areawide development grant program to offer a measure of relief for communities willing to put planning into action on an areawide basis.

The Federal Government through an incentive grant program can point the way to increased cooperation among local jurisdictions with similar needs and aspirations. It is a proven fact that when a group of communities join forces to provide a needed public facility, the result is better service to more people in a larger area at lower cost. That, after all, is what the taxpayer is seeking for his dollar.

Mr. ANNUNZIO. Mr. Speaker, those of us who are privileged to represent urban areas are very concerned about the almost incomprehensible problems of the cities. The newspapers and people decry crime in the streets and race riots and general disorder. But we know these are all just specific instances of a range of connected problems collectively known as poverty.

Thankfully, we have been able to launch an attack on the economic and cultural poverty of the ghettos' residents through the Office of Economic Opportunity. The work done by that Agency is necessary, but it only begins to scratch the surface of the problems. What we need, what we must have if the cities are not to languish and degenerate into little more than huge islands of despair, is a concerted, national attack on the range of problems plaguing our cities. We must work so they do not become simply gigantic traffic jams. We must labor so that even the most affluent of us is not choked by the noxious fumes given off in a city's daily life.

That is why the President's message on urban problems is so important. It lays bare the nature and complexity of problems now facing the cities. But it also shows how we all—and especially the Congress—can work to keep those problems from growing and new one's from arising.

Mr. NIX. Mr. Speaker, now that President Johnson's message on the cities has been delivered, the question is, Shall we, in the august body, deliver?

This is my reaction: We must and shall deliver. One of my reasons is the President's request for \$1 billion for model cities. For the first time in our history we are now giving our cities a real opportunity to combat their slums and blight in the only manner in which they can successfully be eliminated—by locally developed and executed programs.

Model cities enable cities to coordinate all of their local resources, both public and private, with State and Federal aids, in a combined, really massive assault on all problems of slum living: substandard housing and education, poor health, unemployment, and illiteracy.

The programs are going to develop from the local communities upward and not from Washington downward, as has been the case too often in the past. In other words, the residents of the slums themselves, are going to work together with city, State, and Federal officials, in determining what can be done about the conditions of their neighborhoods,



and how it can be accomplished most speedily and efficiently.

In the first round of approvals, 63 cities, large and small, were approved for model cities planning grants. Some 4 million people live in the model city neighborhoods of these cities. They suffer more from poverty, unemployment, and housing than the average American. But they are determined to do something about their plight.

Can we afford to let them down? I think not, and I ask you to join me in supporting the President's request for model cities.

Mr. FUQUA. Mr. Speaker, we have entered a new era of business and industrial statesmanship. President Johnson in his urban and housing programs has extended and called for greater support of this activity to meet our urban needs today.

The response of business to public service has been encouraging.

More businesses have worked with government and public bodies to combine public and private resources to serve housing, employment, and other needs.

This new partnership of private and public efforts can become one of the most powerful forces in our urban future.

Those who work at the community level have for many years known what can be done—because they have done it. Business leadership and resources have been applied locally through urban renewal, planning, and housing programs in the community.

But sporadic local commitment is not enough. As the Federal Government seeks to move into volume production, it must ask the business community for its nationwide commitment of talent, energy, and imagination. As the President has recognized, the creative partnership of business and government which will result will be the major impetus in urban improvement. We must work with him to forge that partnership.

Mr. KIRWAN. Mr. Speaker, I heartily support President Johnson's recommendations for a stepped-up urban renewal program.

This time-tested Federal-local program, authorized in 1949, has proved its worth over the years. Today, it is being used in more than 900 large and small communities in 48 States, the District of Columbia, Puerto Rico, the Virgin Islands, and Guam.

In addition to the impressive effects of this program on the physical rebuilding of our cities, it has generated an impressive financial record. Since 1949, \$7 billion in urban grants have been authorized. For each Federal dollar, however, private enterprise has invested about \$4½. Furthermore, the real estate tax return from completed projects is about 4½ times the tax return prior to redevelopment.

Over the years urban renewal has meant the rebuilding and revitalization of many downtown areas in the Nation's cities. It has resulted in the restoration of industrial and commercial complexes. It has brought about the public and private construction of new housing, as well as the rehabilitation of usable housing for low- and moderate-income families. Finally, it has rejuvenated many ailing

neighborhoods and put them on the road to good health.

We have found that urban renewal has a contagious effect. When a blighted neighborhood is improved, the positive effects are felt by adjoining areas, and the spirit of improvement spreads.

Today, there is a new face on urban renewal. Its top priority mission is to help the poor through improved housing and expanded job opportunities.

I sincerely believe that the urban renewal program must be expanded as recommended by President Johnson, if we are to attain our national housing goals of "a decent home and a suitable living environment for every American family."

Mr. PRICE of Illinois. Mr. Speaker, at long last we have President Johnson's message on the cities. It is full of new ideas, new legislation, new ways to meet the rising crisis in our cities.

One of the outstanding parts of the message to me is that dealing with the model cities programs. I have been a partisan on the side of model cities ever since it was first introduced 2 years ago. I am still an enthusiastic supporter of model cities, and believe that the President's request for \$1 billion is really a minimum request.

The potentialities of model cities is enormous. Imagine, if the \$1 billion is approved we will have, within a couple of years, 130 or more local laboratories of experimentation in ways to solve the problems of slum living.

Better than that, the people in charge of the experimentation will be those actually involved in the experiments. The people living in the slum areas where model cities techniques are to be created and tried will be responsible for the planning and execution of the programs designed to improve their living conditions.

This is the logical end of the long, long road we have been traveling for three decades. For 30 years we have been trying one program after another to cure the slums, to help the people forced to live there. Some worked partially, others not at all.

Now, instead of trying to find the answers ourselves, we are asking the people in the cities themselves—local public officials and residents alike—to come up with answers. Will they? Maybe yes, maybe no. Probably some of both. But we'll never know unless we give them the chance. The \$1 billion requested by President Johnson will give them the chance. And I am going to do my best to see they get it.

Mr. ST GERMAIN. Mr. Speaker, currently over 70 percent of our Nation's population now lives in urban areas.

Realizing the significance and magnitude of the city problem, the Congress enacted remedial legislation whereby local governments in working in conjunction with the Federal Government would be given the means to overcome the problem of the cities.

One of the most significant legislative achievements toward this end was the model cities program. This program would attempt to completely rebuild entire neighborhoods of slums and blighted areas. It is premised upon a finding and declaration by Congress that improving

the quality of urban life is the most critical domestic problem facing this Nation.

Having been intimately involved in the drafting of this legislation as a member of the Housing Subcommittee of the House Banking and Currency Committee, I am fully convinced that this program will greatly contribute toward overcoming this great problem that faces our Nation. It is a straightforward attempt to remove the cancerous slums of our cities which feed crime, delinquency, and disease, and drain our local governments of the strength needed to progress as they should. Though the legislative machinery to meet the great problem of our cities has been made available, the fuel has not and our urban programs are proceeding at a snail's pace in a jet age.

In a recent message, President Johnson focused attention upon America's urban problems. Mr. Johnson's message on the cities is essentially an appeal to the Congress to provide the necessary funds in support of programs designed to overcome the great problem of our cities. In his message, the President has asked this Congress to renew its pledge to eliminate the slums and blighted neighborhoods of our country and to continue the full development of these areas. President Johnson has asked the Congress to authorize and appropriate \$500 million of urban renewal funds for use in the model cities program, and has requested \$1.4 billion of advanced urban renewal appropriations for fiscal year 1970.

Coupled with his request for additional funds, the President has called for a change in the urban renewal process that would enable our communities to gain the greatest good and the most expeditious action from renewal funds each year.

The urban renewal program of the Department of Housing and Urban Development has distinctly proven its ability and strength to rebuild our cities and towns. Let us now, in accordance with the President's request, provide the necessary funds so that these programs may attain their true potential. We have a firm commitment to the cities of our Nation in the form of legislation already enacted and it is time that we live up to this commitment by providing the necessary funds.

Today there are 1,949 approved urban renewal projects in over 900 communities in our 48 States, Puerto Rico, the District of Columbia, Guam, and the Virgin Islands. Total grant authority approved for these projects is \$6.22 billion.

Of these 1,949 approved projects, 570 are in planning stages, over 1,000 are in various stages of execution, and 333 have been completed.

Through 1967, the cumulative total of the number of dwelling units which had been built in urban renewal areas had reached approximately 107,000 of which nearly 100,000 are occupied. One-fourth of these new dwelling units are for low- and moderate-income families.

But urban renewal involves more than just new construction. In more than 620 projects in 375 communities there is a great deal of rehabilitation work under way. The rehabilitation workload at the end of 1967 reached a total of 96,298



structures, involving more than 211,000 dwelling units. Another 119,000 dwelling units were scheduled for rehabilitation in projects still in the planning stage.

These figures of accomplishment are even more impressive when you remember that each Federal dollar for urban renewal results in \$5 of private investment. Furthermore, the real estate tax return from completed or in process urban renewal projects is about 4½ times the tax return prior to renewal.

While much has been done in rebuilding our cities through urban renewal, much remains to be done.

This is evidenced by the great demand for urban renewal assistance from communities across our land. At the end of 1966, the Renewal Assistance Administration of the Department of Housing and Urban Development had applications for projects amounting to \$1.4 billion. A year later, at the end of 1967, the demand on hand had risen to a total of \$1.8 billion. This demand grew despite the fact that \$50 million had been approved for projects during that year.

Communities have recognized the value and the importance of urban renewal, which has served as the catalyst for the rebuilding and the revitalization of communities.

Over the years, the focus of the urban renewal effort has been changed. What started out as a purely clearance and redevelopment program has now evolved into a program designed to meet the paramount needs of the people of the cities.

This has not just happened. HUD and its Renewal Assistance Administration recognized that the principal immediate needs of most cities are housing and jobs.

In his message on the cities, the President has underlined this recognition by calling for an acceleration of that part of HUD's urban renewal program which is aimed primarily at the rehabilitation of existing housing in renewal neighborhoods. Called neighborhood development projects, this acceleration process would allow cities with large blighted residential neighborhoods which are to be renewed primarily for the benefit of the existing residents of the neighborhood to have annual action programs.

It cuts the time between planning and action by requiring only that degree of planning necessary to indicate the city's concept and standards for renewal and to specify the actual work program which could be undertaken with confidence in that year. This new process would eliminate the time consuming, long term, and detailed planning necessary when a renewal area is to be completely redeveloped for a new use.

As I see it this new renewal approach would: enable local communities to take rapid, visible action to upgrade housing in urban renewal areas and provide psychological impetus to the project; provide good housing for low- and moderate-income families now living in substandard conditions in the least possible time; and help prevent further deterioration or decline in the neighborhood during the planning stage.

It would allow action during and concurrent with planning and give our cities and towns a faster return on their in-

vestment. Needless to say, this new flexible approach will be particularly relevant to our model cities program.

I support President Johnson's request for increased urban renewal funds and for his neighborhood development program which will provide our cities with annual action projects. I support them because I recognize the hard fact of life that we must continue to provide help for our cities and towns in their efforts to rebuild and attain our national housing goal of "a decent home and a suitable living environment for every American family."

Mr. THOMPSON of New Jersey. Mr. Speaker, as far as I am concerned, the President's message on cities is outstanding for one main reason—its request for \$1 billion for model cities.

This is the kind of legislation the Nation has been waiting for ever since passage of the Housing Act of 1937. For 30 years we in the United States have been waiting for the kind of housing and urban development bill that would encompass all the problems of urban poverty; not just housing, not just clearance, not just health—but all of these and more.

Now, for the first time, we have that kind of legislation. If we fail to give President Johnson the kind of support he has requested we fail the people of the United States. More than that, we make a mockery of the model cities legislation we have already passed, and the appropriations—modest though they are—that we have approved. Many of us have worked hard and long to make model cities legislation come true, and we feel that the moment of truth is here.

Model cities is the comprehensive kind of legislation that promises to do the whole job; not just a bit or piece. It gives the cities the utmost flexibility in planning and in carrying out those plans.

It gives a role to the people who live in the slum areas they have never had before; a chance to plan their own futures. Maybe they will succeed, maybe they will fail, but it will be their own failures or successes, not one's thrust upon them from above or below. Personally, I am convinced that when the people in our local communities get a chance to determine their own environments, their own needs for better schools, housing, and jobs, they will succeed beyond all our expectations.

They deserve that chance. And model cities gives it to them. That is why I say, support President Johnson's message.

Mr. KUPFERMAN. Mr. Speaker, inadequate housing is one of the Nation's greatest problems. The President, in his message read to us today, puts this at the top of his legislative list, and I agree.

No major city in America has eliminated its bad housing. Over 4½ million urban families live in structures of such disrepair as to violate decent standards. To meet the challenge of the future we need to provide at least 50 percent more housing annually than has been built in any year in the past. We do not provide sufficient low- and moderate-income housing, of adequate quality, at a reasonable price.

This is at the heart of our urban problem. For substandard housing leads to the development of widespread slum

areas. Inadequate and insufficient housing contributes to the hopelessness of the ghetto resident; it is a factor in high rates of crime, delinquency, and disease. Largely inadequate housing is a characteristic of the Harlems, Watts, and other slums of cities large and small.

Housing is central to all of our hopes for remaking the urban areas. Unless there is better housing available to those who are not now adequately housed, we will be hampered in our efforts to solve the problems of employment, education, and all the other problems which affect the ghetto.

I will go further and say that I feel there is less likelihood of making an impact on any of our urban problems unless at the same time the housing choices in this Nation are also expanded and equalized.

We must provide an adequate supply of decent housing for low-income people unable to pay the full cost of housing in the private market. With the President's proposed program we can hope to do so.

I urge my colleagues to support the campaign for more—and better—housing. This is a nonpartisan issue. It was a Republican, the late Senator Robert A. Taft, who led the fight for slum replacement. We must continue that fight.

Mr. ADAMS. Mr. Speaker, one of the most significant developments of recent years in the housing and urban field—and now so strongly stressed in President Johnson's program—is the total approach.

Time was only a few years ago when private was private and public was public, and never the twain could meet. We deliberately maintained walls and gaps between private and public enterprise in dealing with our housing and urban problems.

Thank heaven we have changed that. And I am glad to see the heavy stress that President Johnson in his message on the cities, has placed on the role of the private sector in meeting public needs, and role of public action to support private progress. We need them both and we need them working closely together.

Look at the changes that have occurred:

Private developers are now initiating, building, and in some cases even managing low-rent public housing.

Public funds, through subsidies and low-interest rates, are making it possible for low- and moderate-income families to live in privately owned rental housing.

Private funds, along with public money, are now going into new methods and materials, into research, and into practical demonstrations to lower cost housing, for efficient means of rehabilitation, for better design, for planning and facilities—to bring better housing to more people and improve the urban environment.

We now find private and public joining together to produce apartment units at lower cost, and to improve housing without displacing people. We must keep the public financing of these joint ventures moving ahead.

And President Johnson has made such a proposal—authorization for the formation of privately funded partnerships.



The express purpose of these partnerships will be to join private capital with business skills to help close the low-income housing gap.

It is a worthwhile proposal and one which merits the enthusiastic support by Congress.

Mr. ROSENTHAL. Mr. Speaker, President Johnson has called for the building of 300,000 new low- and middle-income housing units beginning in fiscal 1969. In so doing he has recognized one of the great problems facing our country—inadequate housing—and he has called on us to move decisively in meeting it.

Today's message calls for an expansion of existing housing programs—such as public housing and rent supplements and for the enactment of new programs—such as the interest payment program.

The urban population of this great Nation will increase drastically over the next 30 years—and so will the demand for adequate housing. But even if our population stood still we would still have to come to grips with the fact that there are approximately 6 million substandard housing units being lived in in this country today. This in itself is a problem demanding our attention.

When both these factors are considered together, it becomes imperative that we act now—and decisively. The President has recognized the full dimensions of the problem—and he has asked us to join him in a campaign to solve it. We can do no less than give him our full support.

Mr. BOLAND. Mr. Speaker, our country is faced today with what seems to be two incompatible realities. We are at once confronted with a crisis of unmet needs in our cities and other important demands on our resources which require that we keep spending to a minimum.

At this critical juncture we cannot decide on an either-or choice of action. We must do both. The blight, despair, and human frustration in our urban areas cannot wait for more affluent days. Our only realistic course of action is to take a hard look at the way we spend money for our cities and make sure that every dollar spent brings a maximum return in making our cities better places in which to live.

In his message on cities, President Johnson has set his priorities and asked this Congress to appropriate \$1 billion for the model cities program. I support that decision to concentrate resources in this new program and I hope my fellow Congressmen will recognize the prudence and necessity of allocating the requested \$1 billion for model cities.

Model cities is not a new program in the sense of spending new money to achieve new objectives. Rather, model cities is a program designed to accomplish the best possible use of the over 200 categorical grant-in-aid programs already created by Congress to solve urban problems.

An editorial published February 23 in the Springfield Daily News points out how President Johnson's Model Cities program will help knit together the efforts to rebuild America's cities:

**SAVE THE CITIES**

No American seriously concerned with the decay and despair of the cities can fault the President's ambitious program calling for a

massive rebuilding program during the next 10 years.

The important thing, nonetheless, is that a good start has already been made through urban renewal and antipoverty, and now rent supplement and Model Cities programs. Model Cities—in which Springfield has a vital stake—is proposed for a \$2.5 billion expenditure over the next three fiscal years. In addition, the President seeks \$500 million in fiscal 1969 for urban renewal work related solely to the Model Cities program.

Funding is not likely to keep pace with hopes in Model Cities and other areas. But this must not deter us from our urban goal. It is encouraging at the same time that much of the stress in the President's housing and urban message focuses on the role of the private sector which is being asked to cooperate to an ever increasing extent with the government's attack on urban blight.

It should be clear to all by now that—as the President stressed again yesterday—"America's cities are in crisis" and "There is no time to lose." What is needed now is the determination to go out and do the job that must be done.

Every model cities supplemental dollar will attract 10 additional dollars in local public funds, private investment, and other Federal funds. The great quality of the model cities program is that it allows these selected cities to insure that the effect of these dollars will not be dissipated in fragmented, overlapping efforts. In a period when we must measure the value of every dollar spent against a yardstick of human betterment, the model cities program provides an effective channel for concentrating the impact of limited resources.

For the 63 cities and counties selected for the model cities program last November and for the 70 that will be chosen this year, model cities means new hope—a new hope of transforming slums into decent places to live. With the new tools model cities offers, these cities can chart a path that will lead to the fulfillment of long standing unmet needs.

The urgent needs of the 4 million people living in the first 63 target neighborhoods in undeniable:

Nearly a third of the 1 million families they constitute are living below the poverty level.

One-fourth of the housing in these neighborhoods is substandard.

One out of three adults has an elementary education.

Unemployment is twice the national rate and the number of those working below their capacity is too great.

Across country these 63 cities, large and small, have begun planning to change these intolerable conditions.

Within days after the November announcement of cities, representatives of the Department of Housing and Urban Development and other Federal agencies were visiting these cities to pledge full cooperation in carrying out their programs. The cities will have the full range of Federal urban programs, technical assistance from Federal interagency teams, and model cities supplemental funds to use for filling gaps in existing programs and exploring new solutions. The challenge is to coordinate these tools along with other private and public resources in a locally tailored program to meet much problems as insufficient housing, unemployment, poor education, and ill health.

Applications prepared by these cities last spring as the first step in the model cities effort show that they are ready to meet the challenge. These applications reveal soul-searching analyses of basic problems and solid constructive approaches for attacking them. A few examples will illustrate my point.

In Seattle, Wash., where 10 percent of the employable men living in the model neighborhood area are jobless, the city proposes a comprehensive employment program to recruit, train, and find new careers for the unemployed. Block workers from the model neighborhood would seek out fellow residents who have long since given up hope of finding a decent job. Employment services located in a multipurpose community service center would plan a training program leading to a new career.

Complementing these activities, small commercial shops to be opened up in apartment buildings throughout the neighborhood would create job opportunities for other residents and at the same time provide a valuable resource for the community. Financing for shops and training for budding entrepreneurs would come through the combined efforts of the Seattle business community and the Small Business Administration.

At the other end of the country Baltimore, Md., proposes using the superior education and medical facilities of a great university in combination with the talents and training of Negro medics returning from Vietnam to improve health and employment in the community. Model neighborhood residents would be trained as professional health aides to work with the medics in special health programs for the model neighborhood.

Recognizing that good education for our young people will be a key to a better future for our cities, Oakland, Calif., proposes using a combination of professionals from the business community and parents from the neighborhood to improve schools. Local industry would work with the school system to make curriculum more relevant to future job needs and volunteer professionals would teach classes in line with their particular talents. Parents working as teacher aides would earn additional income while playing a vital role in their local schools.

These are but a few of the innovative ideas that the cities have suggested in their model cities applications. Two key elements are apparent—cities are planning to use a combination of public and private resources to meet multiple needs, and they are anxious to explore fresh approaches to old problems.

Herein lies the significance of the model cities program. Concentration and coordination will multiply the impact of dollars spent in this program. Communities can work out solutions that will best fit their needs. Smaller cities like Eagle Pass, Tex., and Gainesville, Ga., have needs different from those of New York City and Chicago. Within the framework of model cities communities of all sizes and economic conditions will be able to pursue their own answers to problems of urban blight.

In the short range, model cities means better lives for the people living in the



model neighborhoods of the 63 selected cities and the 70 more to come. In the long run, model cities will mean a series of tried and tested techniques which cities everywhere can use to meet urban problems. We have long paid lipservice to the concept of our localities as experimental laboratories for problem solving approaches. The model cities program gives the cities the freedom to make this concept a reality.

During this year these 63 cities will be building on their original applications to plan a 1-year detailed action program for upgrading model neighborhoods and a long-range 5-year program. We must take action now to make sure that the hopeful approaches these cities are now developing will reach the stage of actions. The \$200 million of model cities supplemental money we appropriated last year is only a small beginning toward what these 63 cities will need to carry out their programs.

The \$1 billion requested for model cities by the President in his cities message represents \$500 million for direct model cities supplemental grants and \$500 million for urban renewal projects in model cities areas. All but \$350 million of the urban renewal funds has already been authorized by Congress and our task in this session is to give full authorization and appropriation so that these communities can begin the hard work ahead of them.

The question our Nation faces today is not whether we will devote part of our resources to break the forces of ignorance, poverty, and despair that grip our cities—the need is too great to require an answer. What we must decide is how we can best use our resources to open up the doors of opportunity for our inner city dwellers.

I would suggest to you that appropriating \$1 billion for the model cities program will be a wise investment in, not only the future of approximately 130 cities that will participate in the program, but—even more importantly—wise investment in the future of America.

Mr. EVINS of Tennessee. Mr. Speaker, President Johnson's message on the crisis of the cities is certainly a challenging and compelling document.

This eloquent message is a catalog of the problems that beset our cities—large and small—progress made toward solution of these problems—and of the President's proposed response to these problems.

Mr. Speaker, it is time that our larger cities are caught in a population stragulation—our small cities are caught in a population decimation.

Many observers feel that the Nation is careening downhill toward its third great crisis—the crisis of our cities. These authorities say the first great crisis was the Civil War. The second great crisis was the great depression. The third is said to be the continuing deterioration of our cities under the massive pressures of the population explosion—coupled with the impact of great and sudden change in many dimensions affecting urban life.

All of us know the symptoms of the accelerated urbanization that has already placed seven out of 10 people in this Nation on 1 percent of the land.

We must proceed in an orderly way—in a society of law and order to solve the problems created by this transition. We must meet the challenges of change.

Certainly greater participation by private enterprise in programs designed to assist our cities is needed. The President is to be commended for this recommendation.

The President makes a number of other sweeping recommendations in regard to programs for our cities that the Congress must carefully study and evaluate.

The problems of our towns and cities have been developing over the years and require our constant, careful, and unremitting attention.

Certainly we must continue to make further progress in the solution of the problems of our cities.

Mr. BUTTON. Mr. Speaker, my colleagues have today and in the past offered many good solid reasons for supporting the model cities program and the approach it offers for solving the problems of the cities. President Johnson's message on the cities requests that we continue our support of this program with \$1 billion. I think we should support this request which will enable this unique and highly promising program to continue proper operation.

My support for model cities is for several reasons. I want to talk briefly about one of them which I feel is absolutely vital to a successful national urban effort. I am convinced that we will never make real headway in the battle against urban blight unless we can enlist the support, the skills, and the resources of our greatest national asset—private enterprise.

The Model Cities Act was one of the first pieces of legislation to call for maximum participation of private enterprise in the effort to rebuild our cities. Model cities encourages and requires a strong local alliance between the city government and business to get the job done. Business in recent years has shown an increased awareness of social needs. In its recent issue on the cities *Fortune* magazine referred to the model cities program as "perhaps the most important new example of Federal-local cooperation."

Business is looking for ways to become involved, the model cities program offers them the opportunity to effectively employ their resources right at home.

The numerous examples of business participation in preparing the 193 applications for planning grants last May indicates readiness to meet the challenge. McDonnell Aircraft lent the services of one of their top management specialists for several months to help draw up the St. Louis application. In Poughkeepsie, N.Y., IBM Corp. worked with the city in the application effort. Kodak in Rochester, N.Y., is now starting a program to help establish small industry which will mesh with the model cities program. In application after application local businesses committed themselves to supporting the local model cities effort. To me this local business interest is one of the most encouraging and promising elements of the model cities program.

President Johnson's message on the cities calls for funding the model cities

program at a level of \$1 billion. I ask you to support that request.

Mr. KORNEGAY. Mr. Speaker, I want particularly to point out the emphasis that President Johnson has placed on the role that private enterprise can play in dealing with our housing and urban problems.

The Federal Government cannot be the sole agent of urban change. The job requires the talent, resources and flexibility of private enterprise.

There are already indications that business is responding. A list of major industries and businesses that are now channeling resources of talent and money on a high priority basis into our housing and urban areas is beginning to read like a blue-chip list from your stockbroker.

Some corporations are actively involved in planning and development of housing and new communities, in research and development into more efficient methods of mass transportation, in job training and recruiting from the low-income group.

Some companies have been involved with investments and capital on a large scale in urban renewal.

Large materials producers are moving on their own initiative into the fields of rehabilitation and upgrading of slum areas.

Our large insurance companies are devoting heavy capital investments in renewal, in redevelopment, and now have committed an initial \$1 billion to low-cost housing financing in our blighted areas.

But much remains to be done. I commend the President in his efforts to keep this partnership of business and Government growing.

Mr. BARRETT. Mr. Speaker, the President's message on the crisis in our cities is one of the most far reaching proposals ever made in the field of housing and urban development. It fully recognizes the magnitude of the problem and it further recognizes that a meaningful answer requires the involvement of every segment of our economy—Federal and local government, and business, labor, and civic leadership.

Undoubtedly responsible citizens in every field will heed the President's call and rally to the support of this year's legislation and beyond that will work vigorously to carry out these programs. One of the first to respond is the president of the United Auto Workers, Walter P. Reuther. Under unanimous consent I include the text of Mr. Reuther's message to the President at this point in the RECORD:

Mr. President, I congratulate you on the vision and the commitment that inspired this historic recommendation on urban affairs. The scope and magnitude of the proposals are such that they will begin to achieve the goal of the 1949 Housing Act, of providing all Americans with a suitable living environment. The priority that urban affairs must have in our national policy consideration has begun to be realized. It is imaginative and innovative. It suggests using the public and private sectors in ways that will permit both to work together so that we can make all our communities livable.

We especially support those efforts that start to provide more housing—rental and ownership—for our low income families. The proposed interest rate subsidy, increasing model cities funding, developing new towns based on diversity of income and race, and



the long-term funding of these programs provide the tools necessary to do the job. We are especially gratified by the proposed changes in F.N.M.A. for they will make it possible to utilize efficiently union pension funds for housing. In addition, the consortium proposal enables private enterprise to place its resources behind social development and stimulate the creation of local housing consortia. The FNMA and consortium proposals permit the private sector to harness its energies in socially useful ways that will benefit the entire Nation.

The Housing and Urban Development Act of 1968 will be one of the most important pieces of legislation that the Congress has considered in recent years. Your proposals deserve full support. They should be enacted promptly. We will work hard to help pass them.

Mr. PEPPER. Mr. Speaker, President Johnson's proposal for expansion of the urban renewal program is one of the most essential proposals before us. It is critical to the success of the model cities program. It is just as critical to the towns and cities which, while not yet in that program, are moving ahead in eliminating blight and rehabilitating slums.

The President has called for \$500 million in urban renewal money as vital support for the model cities program. And he has called for a stepped-up renewal program in all urban areas over the next 2 years.

These grant funds will mean \$8 to \$10 billion in private development added to the public funds.

It will mean a rapid expansion of rehabilitation and neighborhood conservation efforts well underway in most of our towns and cities.

It will mean opening needed land in our cities for low- and moderate-income housing—where most of the people are and will be.

It will mean strengthening the programs of code enforcement now in progress in scores of towns and cities.

It will mean parks and playgrounds instead of garbage-strewn streets for children to grow up in.

It will mean changing the lives of thousands of families, and turning areas that were once the shame of the community into inviting neighborhoods that will inspire pride and hope.

The towns and cities want and need even more than the President proposes. We must not give them less.

Mr. Speaker, I highly support the President's recommendations for combating the crisis of the cities. We should all strongly support such a proposal and work for its passage before it is too late.

Mr. ANDERSON of Tennessee. Mr. Speaker, satisfying the need for public facilities to serve the growing urban areas of the Nation—small towns and suburbs as well as the cities—is a major challenge and an opportunity to improve the quality of urban life for Americans in communities of all sizes.

Communities in our suburban and rural areas are faced with growing demands for public facilities and growing problems of financial responsibility. The possibility that these necessary facilities might be built on a haphazard, individual basis, without regard to economy of scale and area-wide needs, warrants the utmost concern.

The area-wide incentive grant program would, at a modest cost, encourage the planned provision of public facilities to serve the most people at the lowest cost in our growth areas. By providing incentive grants to be applied to projects planned with an entire area in mind, the program would demonstrate the efficiencies that can result from planning and programing for public facilities on an area-wide basis, and earn its cost many times over.

Projects included under 10 separate Federal grant programs and administered by five different departments and agencies would be eligible to receive supplemental grants. Eligible projects would include basic water and sewer facilities, medical, cultural, and recreational facilities, among others.

The Federal Government would point the way through such incentive grants to increased cooperation among local jurisdictions with similar needs and goals. It is a well-documented fact that when a group of communities join forces to provide a needed public facility, the result is better service to more people in a larger area at a lower cost. We cannot afford to spend our tax dollars any less wisely.

Mr. BROWN of California. Mr. Speaker, President Johnson has called for a low-income housing program that will see the start of 300,000 units in the next fiscal year and the construction of 6 million in the next 10 years.

That is a large order. We have never approached that in the past. Some may ask whether we should do it at the present.

I say to you that there is no longer time to ask whether we should undertake this effort. We all know the dimensions of the crisis afflicting our cities—and at the core of this crisis is housing. Not only do we have to work with the millions of substandard units currently lived in our cities—we must develop programs to assure millions of new Americans each year adequate shelter.

The question is no longer should we. It is simply how can we. And today the President has proposed an answer.

He has called on Congress to enact legislation which will enable the Federal Government, through new and existing programs, to move into volume production.

The need is clear. The time for action is now. It is up to us. I urge you to join me in the President's campaign to construct 6 million units of federally assisted housing over the next 10 years. I urge you to support his proposals.

These and new broadened means for combining private and public action stand ready now, thanks to these new breakthrough efforts, to meet the President's goal next year and in the next 10 years. We must back this goal to the full.

#### CITY INSURANCE

Mr. BURKE of Massachusetts. Mr. Speaker, I would like to express my support for the President's proposals concerning the insurance of property in our center cities.

I do not regard this as an attempt by the Federal Government either to com-

pete with, or substitute for, the efforts of private industry. Nor can it be construed as a move to encroach upon State or local jurisdictions. Rather, these proposals merge the talents and resources of all involved to achieve what I believe is a workable solution to an admittedly difficult problem.

Under this program, the insurance industry itself would take the lead in forming voluntary plans assuring all property owners fair access to property insurance.

Second, the States in cooperation with the industry, would form pools to insure properties that the companies otherwise might not accept.

Third, it creates a National Insurance Development Corporation, representing all interested parties, to back the companies in the event of large riot losses.

Fourth, it would permit the Federal Government to defer taxes for participating companies.

Supplementing action would be taken to train agents and brokers from core areas, eliminate discrimination in company hiring, and develop new ways of preventing losses from the sale of insurance to low-income areas.

This bill is needed as part of an overall program to revitalize our cities. It will restore confidence and commitment to our blighted urban areas. It deserves our fullest support.

Mr. FRASER. Mr. Speaker, the 90th Congress is faced, in this year of limited Government spending, with the responsibility of stamping priorities on some of the country's most pressing problems. In my opinion, where we place those priorities will be of lasting significance.

Not only are we faced with financing a war abroad, but the challenges 1968 presents at home are staggering—crime, rising population, crowded classrooms, and the urban crisis, to name a few. But I count chief among our domestic needs the problems of the urban poor, and I am especially pleased that the President, too, places a high priority on these needs. I intend to support his imaginative proposals for urban renewal, model cities and are development grants, and I urge Members of the House to join me.

It is unfortunate that urban discontent has, in the past few years, become almost an expected facet of the summer months. Riots, we can all agree, solve nothing. They bring financial loss, public shame, death and anguish. They leave our cities burning, and our people in discord and bitterness. They force Americans to fight Americans. But until the urban the crisis is met head-on, the discontent and tension that produce riots cannot be alleviated. So long as we permit absentee landlords to deal high-handedly with tenants, who live without heat in substandard buildings then we are not meeting the urban crisis. So long as we fail to provide adequate funds for additional low-cost housing and increased urban renewal then we are not meeting the urban crisis.

So long as rats and insects breed disease in our cities then we are not meeting the urban crisis. So long as residents of urban slums fail to get respect and consideration due them as human beings, and so long as the opportunity for a bet-



ter life is withheld from them then we are not meeting the urban crisis. And until we do meet these challenges, we will not alleviate the principal causes of tension and riots in our cities.

The President's urban proposals have been directed to meet these challenges, attacking the source of poverty and injustice. Coupled with the full \$2.18 billion sought for the war on poverty, the package represents a significant step forward. Let me urge, Mr. Speaker, that we show our concern for the poor with a strong, effective and timely endorsement of the President's proposals.

Mr. SHIPLEY. Mr. Speaker, the pride that families took in their rugged land with its log cabin during the founding years of this country is not much different from that of the present day family in a home that contains every modern convenience.

Homeownership continues to bring a sense of community belonging, of participation, of accomplishment. It gives a measure of social standing.

But, unfortunately, there are citizens of this Nation who do not now have the opportunity of buying their home, let alone the fact of homeownership. Low-income families also want to own the place where they live. But, at present, the benefits of homeownership are beyond their resources. This is a situation that must be corrected.

The homeownership proposal in the President's housing bill offers a major step toward the solution of this situation. We have the opportunity to help less fortunate citizens—especially those who reside in our urban areas, upgrade their lives—to help themselves.

We can provide the catalyst that could be the stabilizing influence in neighborhoods throughout this Nation. Through the incentive of homeownership, the family, the neighborhood, the entire community can be renewed. By developing ways and means for moderate income families to attain the goal of homeownership, we are also aiding in the development of stable economic conditions, price, and self-confidence.

Congress has a history of heeding the needs of all people. The need now is decent homes for our people, homes that they can take pride in, homes that they can work to preserve, homes that they can call their own.

Mr. MATSUNAGA. Mr. Speaker, President Johnson has chosen to make the model cities program a keystone of the national strategy on urban problems. I consider this program one of the most effective tools ever devised for meeting urban needs and I strongly support the model cities proposals in the President's message on the cities.

The needs of the 63 cities and counties selected for model cities planning grants last November are urgent. The almost four million residents of these target areas are living in some of the worst conditions of poverty imaginable. Nearly one-third of the families have incomes of less than \$3,000 annually; a fourth live in substandard housing; unemployment is double the national rate; twice as many babies do not live beyond infancy; and one in three adults never made it to high school. But statistics tell only part

of the story. They do not reflect the hundreds of young men who have long since given up hope of finding a decent job and have stopped looking. They do not reflect the men with families who may be working at two jobs and still not earning enough money to support their families. How, then, can they ever hope to provide a decent home for their families?

The model cities program offers hope to the residents of these neighborhoods and to the residents of the other target areas that will be named this year. Through this program the city will be able to pull together existing Federal programs and local resources, both public and private, to revitalize these slum areas.

During the last few months there have been encouraging signs of citizen response to model cities. In Winooski, Vt., 268 people from a neighborhood of only 300 families turned out in subzero weather to elect representatives for a model cities advisory committee. In Atlanta, Ga., hundreds of model neighborhood residents attended a citizens convention to decide how they wanted to participate in the program. In my own home city of Honolulu, initial misunderstandings have been cleared up and community support is evident. Citizens, government officials, and private businessmen are now demonstrating their commitment to the model cities program. Our investment of \$1 billion will bring many returns for them and for our future as an urban nation.

Mrs. MINK. Mr. Speaker, President Johnson has shown his concern for the millions of low- and moderate-income families living in unfit housing by proposing a greatly accelerated effort to produce decent shelter for them.

The President has made it clear that what is needed now is volume production, using existing programs reinforced by increased Federal financial aid.

That is why the President has recommended a program for cities and people that covers a wide range of needs. He has called for housing for low- and moderate-income families in greatly increased volume—300,000 units to be started next year; and unprecedented campaign over the next 10 years to build 6 million federally assisted housing units in cooperation with private industry and labor.

The existing low- and moderate-income housing programs must and should be speeded up. In public housing, for example, increased production can largely come through the process of having private industry build the housing and turn the key over to the local housing agency—the so-called turnkey process. Preliminary indications are that it is quicker and less expensive than previous methods.

The President's call for greater housing volume is consistent with actions he has already taken. He has placed greater emphasis on rehabilitating usable structures. A Presidential commission is searching communities across the Nation for Federal surplus land that can be used for low- and moderate-income housing. The Federal Housing Administration is becoming more and more involved in residential construction in

hard-core areas. The FHA rent supplement program is also providing rental assistance for families as well as increasing the inventory of good housing.

In all of this, the Government's housing agencies have begun to help carry out the President's program. It is now up to Congress to translate his proposals into law, so that we can get along with the job that must be done.

I ask you to join me in supporting these programs.

Mr. RHODES of Pennsylvania. Mr. Speaker, it has been said that the best Federal programs benefit the man in the street while helping to strengthen the Nation's economy. Such a program is outlined in the New Communities Act, as proposed by President Lyndon B. Johnson.

Brand new communities, built from the ground up, with homes, stores, and jobs, will be created on the fringes of metropolitan areas, on bypassed tracts within cities, and on the sites of existing small towns.

Under the proposed new communities program this would be achieved with a limited amount of Federal financial involvement. Loans needed by private developers would be guaranteed by the Government and repayment would be geared to the actual cash flow experience of the developers as work progresses.

Further incentives would be provided to cooperating local public authorities through incentive grants. An estimated \$500 million in private investment would be stimulated for the development of communities that could help relieve the population pressures on the Nation's aging urban centers.

The New Communities Act, as proposed, offers a promise for achieving some of our national urban objectives—an increased supply of housing; a better allocation of land and water resources; and the means to direct the resources of the private enterprise toward the solution of our urban problems.

Such a program could point the Nation in a new direction, providing a show case for new applications of technology and science to improvement of urban living.

#### URBAN MASS TRANSPORTATION— MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 262)

The SPEAKER pro tempore laid before the House the following message from the President of the United States, which was read:

*To the Congress of the United States:*

As long as he has lived in cities, man has struggled with the problem of urban transportation. But:

- Never before have these problems affected so many of our citizens.
- Never before has transportation been so important to the development of our urban centers.
- Never before have residents of urban areas faced a clearer choice concerning urban transportation—shall it dominate and restrict enjoyment of all the values of urban living, or shall it be shaped to bring convenience and efficiency to our citizens in urban areas.



"Salary class and title	Service step						Longevity step increases		
	1	2	3	4	5	6	A	B	C
Class 1:									
Subclass (a)----- Fire private. Police private.	\$8,000	\$8,200	\$8,400	\$8,600	\$8,940	\$9,280	\$9,620	\$9,960	\$10,300
Subclass (b)----- Private assigned as— Technician I. Plainclothesman.	8,290	8,490	8,690	8,890	9,230	9,570	9,910	10,250	10,590
Subclass (c)----- Private assigned as— Technician II. Station clerk. Motorcycle officer.	8,580	8,780	8,980	9,180	9,520	9,860	10,200	10,540	10,880



[Mr. McFALL] is recognized for 10 minutes.

Mr. McFALL. Mr. Speaker, I wish to call to the attention of the Members of the House a memorandum of the Department of Defense relating to the use of butterfat substitutes in milk products in overseas areas which has resulted in increased cost to the Federal Government and a contradiction in Federal policy with regard to the Nation's dairy industry.

The memorandum to which I refer was issued by the Department of Defense on September 14, 1966. It directed that the military services use substitutes procured from U.S. sources for butterfat in the manufacture of milk and dairy products in overseas areas.

While there may have been some justification for the position taken by this memorandum at the time of its issue, today there is absolutely no justification whatsoever for the memorandum. This is because no hard-dollar savings accrue from the use of butterfat substitutes in the manufacture of milk and dairy products in place of real butterfat. In fact, this policy results in increased and unnecessary expenditures by the Department of Defense and the Department of Agriculture. This is because the Department of Defense is presently able to obtain butter from the Commodity Credit Corporation under the U.S. Department of Agriculture donation program. Through this program, the Department of Defense, upon purchasing its normal butter requirements is entitled to receive quantities of butter held by the Commodity Credit Corporation in excess of normal requirements.

Despite the present ability of the Department of Defense to obtain butter from the Commodity Credit Corporation, the Department has continued to contract for the purchase of butterfat substitutes for use in the manufacture of milk and dairy products in overseas areas. Inasmuch as the cost of processing butter which the Commodity Credit Corporation could make available to the Department of Defense is approximately 4 cents per pound and the cost of butterfat substitutes is approximately 17 cents per pound, it is obvious that the Department is incurring unnecessary expenses which increase the obligation of each American taxpayer.

Furthermore, this procedure results in increased expenditures to the Department of Agriculture which, under the price support program, must continue to purchase butter, as well as other dairy products. Since the Commodity Credit Corporation has approximately 120 million pounds of butter in storage and available for use by the Department of Defense, failure to so use such butter results in increased expenditures for storage and other related costs by the Department of Agriculture, further adding to the total budget of the Federal Government.

A second reason which supports the rescission of this memorandum is the importance of the domestic dairy industry to our national economy. Since dairy farming is one of the most important segments of our agricultural economy, it

is vitally important that the Congress do all in its power to encourage a strong and healthy dairy industry. This is because in recent years, income from dairy farming, as well as other agricultural enterprises, has not kept pace with the rest of our national economy. Consequently, large numbers of dairy farmers have sold their farms and their herds, and have gone out of business, and milk production has steadily declined to the point that American consumers are faced with the possibility of a serious shortage of domestically produced milk and dairy products.

Inasmuch as there is no other dependable source of supply available to American consumers other than domestically produced milk and dairy products, it is important that the Federal Government continue to pursue the goal of parity prices for dairy farmers which is the goal of legislation, such as the Agricultural Marketing Agreement Act of 1937, and the Agricultural Act of 1949. It is inconsistent, therefore, for the Department of Agriculture to support the prices of milk and dairy products through the price support program, while at the same time, the Department of Defense fails to use available butter and other dairy products in its feeding programs.

A final and more compelling reason supporting the use of butterfat, rather than butterfat substitutes, is the need of our Armed Forces to be supplied with fresh and wholesome milk and dairy products. It is important that our young men in the Armed Forces be provided with the finest food we are able to make available to them. They deserve to receive fresh milk and dairy products.

Mr. Speaker, several Members of the Congress have written a letter to the Secretary of Defense pointing out the invalidity of the memorandum directing the use of butterfat substitutes in milk products. It is my hope that the Secretary will take this obviously necessary action. Continuation of the use of butterfat substitutes in the manufacture of milk and dairy products in overseas areas can only have an adverse effect on the domestic dairy economy, deprive our armed forces of fresh milk and dairy products, allow Commodity Credit Corporation stocks of butter to continue to build, and result in increased expenditures to the Department of Defense and the Department of Agriculture.

#### LEGISLATION TO AMEND THE INTERNAL REVENUE CODE

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New Jersey [Mr. HOWARD] is recognized for 10 minutes.

Mr. HOWARD. Mr. Speaker, I am today introducing legislation to amend the Internal Revenue Code in order to close one of the gaping loopholes in our Nation's tax laws. I refer to the section of the Code which presently exempts from taxation the earnings of American-owned ships which are registered under the flags of other nations.

There are two compelling reasons why this tax exemptions should be removed:

First. Through this exemption, Amer-

ican shipowners evade paying their fair share of the cost of Government, giving them an unfair competitive advantage over other American shipping companies which register their ships under the American flag.

Second. Through this exemption, American shipping companies are encouraged to operate their ships under foreign flag, instead of under the Americans flag. As a result, the dollars paid for the carriage of cargo aboard these American-owned, foreign-flag operations cause a billion-dollar-a-year deficit in our balance of payments.

This problem of American firms putting their ships under foreign registry is not a new one. For more than two decades, a growing number of American shipping lines have indulged in this practice. As a result, this "runaway flag" fleet today is larger than the American-flag fleet.

The American owners of these ships insist that they have registered their vessels abroad as a "convenience." By this they mean that it is more "convenient" not to have to pay American taxes, it is more "convenient" not to have to pay American wage scales, and it is more "convenient" not to have to meet rigid American safety requirements in the construction and operation of their vessels.

All of these "conveniences" give these foreign-flag operations an enormous competitive advantage over the companies which keep their ships at home, pay American taxes, hire American sailors and meet American safety standards. I do not believe, Mr. Speaker, that our Government should foster this kind of totally unfair competition by allowing these companies the tax haven that the Internal Revenue Code presently provides.

But unfair competition aside, there is another compelling reason why the present tax exemption should be eliminated. We are now faced with a crisis in our international balance of payments. For 17 out of the last 18 years, we have had a deficit balance, and today this deficit stands at something like \$4 billion.

The legislation I am introducing today would strike at one of the main causes of that deficit. As I have said, we pay in the neighborhood of \$1 billion each year to these "runaway-flag" ships to carry American exports and imports. This means that these are dollars flowing out of the United States and into the pockets of foreign nationals, into the treasuries of foreign governments, and into overseas bank accounts.

As a very minimum, withdrawing of the present tax exemption for these American-owned, foreign registered ships will mean this:

First. The companies will be required to pay their proportionate share of the cost of our Government—the same as most other businesses and individuals are required to do.

Second. At least a part of the competitive edge which these companies now have over American-registered ships will be eliminated, giving U.S.-flag shipping a better chance to capture some of the cargo now denied it.



Third. We will be taking the first major step forward toward plugging this particular drain in the balance of payments.

Over the long haul, it is my hope that, by ending this tax advantage, we will be encouraging the American owners of these ships to take a new look at the picture, with a view toward the repatriation of these ships. If there were no "runaway-flag" fleet, we would be a billion dollars closer to equalization of the international payments account—and our own merchant fleet would be that much stronger, and that much more capable of contributing to a healthier domestic and international economy.

#### NEW COMMUNITIES ACT OF 1968

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Wisconsin [Mr. REUSS] is recognized for 10 minutes.

Mr. REUSS. Mr. Speaker, the "new communities" movement is an idea whose time has come. Today, a growing number of nations have turned to the establishment of new urban centers as a means of guiding their internal development. President Johnson has called to the attention of all Americans two major problems of our cities: blight and deterioration on the one hand and runaway, unplanned, or ill-planned growth on the other.

Today in his message on the cities, President Johnson has called our attention to the concept of new towns as an alternative in helping absorb the population pressures and relocation problems of the central cities.

The potential of these new communities in achieving more orderly population patterns and more equitable distribution of economic activities is extensive. Moreover, "new communities" could offer promise for achieving our national urban objectives—an increased supply of housing; a better allocation of land and water resources; the opportunity to bring technology and science to bear on the urban environment; and the means to direct the resources and imagination of private capital and initiative toward urban problems.

Basically, the President's proposal seeks to remedy present flaws in the capital market while undertaking little in the way of new Federal financial obligations. It would provide incentives for using existing Federal grant-in-aid and loan programs to further new community development.

How would this be done? First, through an innovative program of Federal assistance to developers which would encourage the establishment of new communities. Second, through grant and loan incentives to public bodies as a means of drawing upon State and local government support for new communities development. Third, by providing Federal assistance for new communities both within and without metropolitan areas—whether they are "in town" areas or free-standing new cities in undeveloped, but potentially growing regions.

For a private developer, the major obstacles to building new communities are

the initial large capital requirements. Costs of securing the land and installing basic services are accompanied by high carrying charges and large cash requirements. During early stages of the long development period there is minimum return on the investment.

The President's new communities proposal is designed to overcome these obstacles to development. It provides a Federal guarantee to back private financing raised by the developers of new communities. Most probably this would take the form of a long-term loan which the government would guarantee. Repayment requirements would be keyed to actual cash flow experience of the new town development.

Thus, financial problems which inhibit possible private developers of new communities could be corrected by a rather limited degree of Federal support.

In some cases, State or local governments may wish to aid new community builders by providing municipal facilities. To encourage this cooperation of local governments, the Federal Government would offer certain incentives.

These proposed aides should provide the flexibility needed to assist the development of new communities with a wide range of types and localities. And they should serve to overcome the obstacles which, heretofore, have hampered the building of new communities on a large scale.

Traditionally, the Federal Government has been concerned with the quality and adequacy of housing, the conservation and best use of the land and its resources, and the quality of community life.

I am convinced that the development of new communities is an opportunity to reaffirm this concern by applying past experience and new technology to guiding urban growth.

#### DEDICATION OF PISCATAWAY PARK

(Mr. ASPINALL was granted permission to extend his remarks at this point in the RECORD.)

Mr. ASPINALL. Mr. Speaker, last Thursday, Washington's Birthday, the newest addition to the system of parks and recreation areas administered by the National Park Service was dedicated by the Secretary of the Interior. I refer to Piscataway Park on the banks of the Potomac opposite Mount Vernon. The ceremony occurred nearly 6½ years after the act authorizing the establishment of Piscataway Park was signed by President Kennedy and 14 years after the first efforts to have it established were made.

The Piscataway story began more than a century ago, when the Mount Vernon Ladies' Association, under the leadership of Ann Carmela Cunningham, began its work to preserve our first President's mansion and farm. Even then the view from Mount Vernon, which today is a high point in a visit to that shrine, was recognized as vital to the preservation project.

Fortunately, the major spread of Washington's suburbs at that time was moving in other directions. The shore

and inland farms opposite Mount Vernon were relatively untouched.

By 1954, however, the suburban growth pattern had changed, and the decision of the owner of a 500-acre tract of Piscataway property to sell his land resulted in considerable anxiety that year. The National Park Service was called in and asked to study the region and evaluate its potential as a Federal park. Its report was favorable, for the area contains historic, archaeological, natural, and scenic values that more than meet the criteria for Federal protection, but the Park Service had neither authority or funds to acquire the 1,500-plus acres it then considered as the optimum area for a park.

Another crisis occurred in 1955 when there were proposals to establish an oil tank farm at Piscataway. This was averted by a generous-minded citizen who intervened and bought the property to protect Mount Vernon. Perhaps even more important, a local movement to protect the open character of the Piscataway area, already well established, took on new vigor as a result of this episode.

In 1956, a program to protect the property on the Potomac River and Piscataway Bay was agreed upon by the Moyaone Association, the Alice Ferguson Foundation, and others. Dr. Henry G. Ferguson donated his 120 acres of land, known as Hardbargain, to the Alice Ferguson Foundation under restrictions that they never be developed adverse to the general open and wooded character of the area.

The next year the Accokeek Foundation was organized as a nonprofit organization to preserve and protect the historical sites, relics, trees, plants, and wildlife along the historic Maryland shore of the Potomac. It subsequently received sizable donations of land for this purpose.

There was another crisis in 1960 when the Washington Suburban Sanitary Commission announced plans to build a sewage treatment plant at Mockley Point, in the heart of Piscataway's scenic area. This plant was planned to stretch a mile along the river, rise to three stories in height, and have one or more large smoke stacks. Since the Washington Suburban Sanitary Commission has the power to eminent domain, the threat was real and dangerous, but it, too, was averted through the vigorous opposition of the Accokeek Foundation, the Alice Ferguson Foundation, the Mayaone Association, and a large number of individuals.

In its own way, the actions of the sanitary engineers, intolerable though their proposal was, served a useful purpose. They focused national attention on the need to preserve these lands across the river from Mount Vernon. The introduction of bills providing for acquisition of the lands by the Federal Government followed. I had the honor of introducing one such bill. My colleague, Congressman SAYLOR, introduced another which is the one that was ultimately enacted. In the other body, Senator ANDERSON introduced still another. This legislation was speedily adopted by the Congress and became law when it was signed by President Kennedy on October 4, 1961.



the public interest policies of President Roosevelt and President Truman, the Federal Reserve Board was forced to hold the line on interest rates. From 1939 until the Eisenhower Administration—a 14-year period—interest rates on long-term Government obligations were kept at 2½ percent and below. In fact, at times, short-term interest rates were as low as three-eighths of 1 percent in the Roosevelt and Truman administrations.

Mr. Speaker, the "independence" which the Federal Reserve seized under President Eisenhower has continued and it has been difficult—if not impossible—for the people and their elected representatives to regain what the Republicans gave away.

The Republican Party cannot escape the fact that interest rates were low under the Democratic administrations of Roosevelt and Truman. They cannot escape the fact that the genesis of our current monetary problems began under President Eisenhower. The figures plainly show this to be the case and I place in the record two tables showing the drastic increase in interest rates that occurred after the Republicans took the White House in 1953. These tables compare the 14-year period from 1939 to 1952 and the 14-year period from 1953 through 1966:

#### I. Yields on long-term Government bonds 1939 to present

Years:	[Percent per annum]	Yield
1939	-----	2.36
1940	-----	2.21
1941	-----	1.95
1942	-----	2.46
1943	-----	2.47
1944	-----	2.48
1945	-----	2.37
1946	-----	2.19
1947	-----	2.25
1948	-----	2.44
1949	-----	2.31
1950	-----	2.32
1951	-----	2.57
1952	-----	2.68
1953	-----	2.94
1954	-----	2.56
1955	-----	2.84
1956	-----	3.08
1957	-----	3.47
1958	-----	3.43
1958	-----	4.06
1960	-----	4.02
1961	-----	3.90
1962	-----	3.95
1963	-----	4.00
1964	-----	4.15
1965	-----	4.12
1966	-----	4.65
Average for 14-year period (1939-52)	-----	2.36
Average for 14-year period (1953-66)	-----	3.65

Mr. Speaker, these tables show dramatically what happened after the Eisenhower administration and the Federal Reserve got together.

When President Truman left office, the actual yield on long-term Government securities was about 2.68 percent. The first year of the Eisenhower administration saw this same yield jump to 2.94 and by 1960—the last year of the Eisenhower administration—the figure had jumped to 4.02 percent.

In other words, in the 8 years of the Republican administration the yield on long-term Government securities skyrocketed by 50 percent.

Mr. Speaker, the same dramatic increases can be seen in the short-term rates, particularly 91-day Treasury bills. The following chart shows that the yields on 91-day bills stood at 1.7 at the end of the Truman administration. By the end of the Eisenhower administration, they had risen to more than 2.9 percent.

In the short, these yields jumped more than 70 percent in the Eisenhower administration.

#### II. Average annual yield on 91-day Treasury bills 1939 to present

Year:	Yield
1939	0.023
1940	.014
1941	.103
1942	.326
1943	.373
1944	.375
1945	.375
1946	.375
1947	.594
1948	1.040
1949	1.102
1950	1.218
1951	1.552
1952	1.766

Average yield (14-year period) -- .645

1953	1.931
1954	.953
1955	1.753
1956	2.658
1957	3.267
1958	1.839
1959	3.405
1960	2.928
1961	2.378
1962	2.778
1963	3.157
1964	3.549
1965	3.954
1966	4.811

Average yield (14-year period) -- 2.797

Mr. Speaker, since 1951, when William McChesney Martin became Chairman of the Federal Reserve, the American people have paid more than \$212 billion in excess and unnecessary interest charges. The excess interest on private and public debt combined amounts to more than \$14.5 billion each year since Mr. Martin took office.

#### COMPARISON OF INTERESTS COSTS

##### I. NET PUBLIC AND PRIVATE DEBT, TOTAL INTEREST PAID, AND AVERAGE RATE OF INTEREST IN THE UNITED STATES, 1951-66

Year	Total debt (billions)	Interest paid (billions)	Computed average interest paid (3÷2)	Interest costs figured at 1951 computed rate
(1)	(2)	(3)	(4)	(5)
1951	\$524.0	\$17.8	3,397	\$17.8
1952	555.2	19.7	3,548	18.9
1953	586.5	21.9	3,734	19.9
1954	612.0	23.7	3,873	20.8
1955	672.3	26.0	3,867	22.8
1956	707.5	29.8	4,212	24.0
1957	738.9	34.0	4,601	25.1
1958	782.6	36.0	4,600	26.6
1959	846.2	40.8	4,821	28.7
1960	890.2	45.7	5,134	30.2
1961	947.7	48.4	5,107	32.2
1962	1,019.3	53.4	5,238	34.6
1963	1,096.9	59.8	5,452	37.3
1964	1,174.3	66.5	5,663	39.9
1965	1,270.3	74.0	5,825	43.2
1966 (estimated)	1,368.3	82.7	6,044	46.5
Total		680.2		468.5

Note: See the following table:

	Billions
Total col. 3	\$680.2
Less total col. 5	—468.5
Excess cost	211.7

Source: Economic Report of the President, 1967.

#### II. TOTAL FEDERAL DEBT AND INTEREST PAID, FISCAL 1951-68

Fiscal year	Total Federal debt (billions)	Total interest paid (billions)	Computed annual interest rates	Computed interest cost at 1951 rate (billions)
1951	\$255.3	\$5.7	2,233	\$5.7
1952	259.2	5.9	2,276	5.8
1953	266.1	6.6	2,480	5.9
1954	271.3	6.5	2,396	6.1
1955	274.4	6.4	2,332	6.1
1956	272.8	6.8	2,493	6.1
1957	270.6	7.3	2,698	6.0
1958	276.4	7.7	2,786	6.2
1959	284.8	7.7	2,704	6.4
1960	286.5	9.3	3,246	6.4
1961	289.2	9.0	3,112	6.5
1962	298.6	9.2	3,081	6.7
1963	306.5	10.0	3,263	6.8
1964	312.5	10.7	3,424	7.0
1965	317.9	11.4	3,586	7.1
1966	320.4	12.1	3,777	7.2
1967 <sup>1</sup>	327.3	13.5	4,125	7.3
1968	335.4	14.2	4,234	7.5
Total		160.0		116.8

<sup>1</sup> Estimated.

Source: Economic Report of the President, 1967.

#### THE SHARPENED CRISES IN VIETNAM

(Mr. MORGAN asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. MORGAN. Mr. Speaker, the executive council of the American Federation of Labor and Congress of Industrial Organizations, in a meeting on February 20, 1968, at Bal Harbour, Fla., issued a statement on Vietnam which merits most careful consideration. I wish personally to commend the AFL-CIO Executive Council for issuing an excellent statement which puts the recent developments in Vietnam in proper perspective. I heartily agree with the council's appeal to the entire American people to support the President in his persistent efforts to end the war through negotiations. The text of this splendid statement is as follows:

STATEMENT BY THE AFL-CIO EXECUTIVE COUNCIL ON THE SHARPENED CRISIS IN VIETNAM, BAL HARBOUR, FLA., FEBRUARY 20, 1968

For nearly three years, the U.S. has repeatedly offered to enter unconditionally into negotiations for ending the war in Vietnam. These offers have fallen on deaf ears in Hanoi, Moscow, and Peking. To demonstrate further its earnest desire for negotiations, our government recently reduced considerably, for over a month, its bombing of the Hanoi and Haiphong military targets. But Ho Chi Minh interpreted these peace efforts as proof of American weakness. Then, under cover of the Tet holiday, Hanoi proceeded to escalate its aggression by launching an offensive against the main South Vietnamese urban centers, slaughtering thousands of innocent civilians, turning the city streets into bloody battlefields.

The latest escalation of terrorist warfare by Hanoi is a development of sinister international significance. In this connection, it would be folly to disregard the address recently delivered by LeDuan, General Secretary of the North Vietnam Communist Party, in which he emphasized that: "The theory



and practice of the October revolution has helped the Vietnamese revolutionaries realize that national liberation must be linked to world proletarian revolution. The struggle of the Vietnamese people forms the spearhead of the world revolutionary tide." This declaration should make clear, to even the most embittered critic of the President, the austere and painful reality of Vietnam, freed from wishful thinking, false hopes, and sentimental dreams.

Furthermore, for days prior to their onslaught, the clandestine Communist "Liberation Radio" appealed to the South Vietnamese people, as Lenin did to the Russian people on the eve of the Bolshevik seizure of power. The so-called "National Leadership Committee" urged: "We exhort the officers, soldiers, and the police forces of the Saigon regime to side with the ranks of the people and to give their arms and ammunition to the revolutionary armed forces. Let us go forward together. The revolution will certainly be crowned with success." The Communists appealed for and counted on a popular uprising to welcome their raiders as liberators. In this, they failed dismally. The only place in the capital where the self-styled nationalist Viet Cong succeeded in winning some popular support was in the Chinese township of Cholon.

It is still too early to estimate the extent of damage which this fruitless Communist attempt to seize power has inflicted on the pacification and re-development programs or on the recent progress made by the South Vietnamese in building constitutional government and democratic institutions. Clearly, this aggression against the cities was an integral part of the Communist strategy aimed at undermining America's determination and at strengthening those in our country who, wittingly or otherwise, would have the U.S. submit to the dictates of Hanoi as the road to peace in South East Asia.

This offensive has been of no decisive military value to Hanoi. However, it does show an unexpected Communist capacity to launch destructive attacks against targets of their choice, with the enormous volume of aid from all other Communist countries and to the effectiveness of Hanoi's underground apparatus which has been continually built up in South Vietnam for more than twenty years. In the face of these developments and their possible recurrence, there is a paramount urgency for the democratic allies in Vietnam to avoid all overconfidence and expand their social, economic, political and military moves to deter and defeat aggression, while persisting in their efforts to negotiate peace.

The opponents of the Administration's tenacious resistance to Communist aggression have hastened to seize upon whatever initial political and psychological successes Hanoi may have scored in its latest escalation of the war as evidence that our country's policy is wrong and that we should get out of South Vietnam and all Southeast Asia. In panic, some academicians have rushed to conclude that the time has arrived for U.S. policymakers to realize that we have been defeated in terms of our original objective—to prove that so-called wars of national liberation do not pay and that we can stop them.

This hasty conclusion is without foundation in fact. Vietnam is not the first or only place where the Communists have resorted to their so-called national liberation tactics. After World War II, they tried it in Greece and Korea and failed in both countries. They tried and failed in Malaysia and Indonesia, in Bolivia, Colombia, Peru, and Venezuela. They have not had much luck with such tactics in Burma and the Middle East. Nor have they gotten far in South Vietnam, despite years of preparation, subversion, and aggression. They have already been driven out of most towns and the remaining fight in the cities is not going their way. In addition, the Communists have had to pay dearly

in heavy losses among their elite cadres who controlled vital rural areas and were trained for months for their operations against the cities. Since many of them were killed, wounded, or captured, the Communist grip on these rural regions will consequently be weakened.

The destructive capacity of the Communist underground does not mean that Hanoi has the support of the workers and the people as a whole. In fact, the Saigon CVT Council has pointed out that the "armed Viet Cong propaganda teams" which "toured the workers' neighborhoods, trying to hold rallies to influence the population against the South Vietnamese government and the U.S. did not attract crowds because of worker indifference and hostility to the Viet Cong." We welcome the assurance of our CVT colleagues that "the terrorist campaign has only hardened the resolve of Vietnamese labor to resist terror and oppression."

Today, the people of South Vietnam are fighting harder to "win for themselves" than France, the Lowlands, and some Scandinavian countries fought against the overwhelming Nazi onslaught in World War II. Clearly, there are situations where the first and most direct targets of aggression are themselves, alone, not able to conduct effective military resistance and must have massive support from countries thousands of miles away in order to defeat the aggressors and restore and safeguard their independence and security. We need but cite the plight of western continental Europe and the resulting necessity of our country entering the war against Nazi aggression and subsequently providing the European peoples with generous assistance for the reconstruction and recovery of their economy and free way of life. In the light of their own experience, the free people of Europe should have no difficulty in understanding our country's current Vietnam policies and the urgency of their supporting the struggle against Communist aggression in Vietnam.

The Executive Council of the AFL-CIO appeals to the millions in our ranks, to workers everywhere, to the entire American people:—Strengthen the President's hands in his persistent efforts to end the war through negotiations. We further pledge our full support to the President in his determination to achieve our country's sole aim in the Vietnam conflict—to halt Communist aggression against the people of South Vietnam. We pledge our all-out support to help the CVT enhance its effectiveness and enable it to play an increasing role in defeating Communist subversion and promoting social justice, the development of democratic institutions, and a viable economy. We are confident that the CVT and all other democratic forces in South Vietnam will do their utmost to have their government speed rural reforms which will immediately give land to the individual peasant. Coincidentally, we urge our government to provide the peasants with the fertilizers and technical assistance which will enable them to raise their agricultural productivity and improve their living standards.

Such reform measures, combined with an invigorated campaign against corruption, will facilitate the resumption of the pacification program on a sounder basis and firmer foundation. Such social and economic actions will rally the people of South Vietnam and strengthen the determination of our country and the efforts of our allies to halt the Communist aggressors and promote peace in South East Asia and throughout the world.

#### FLEXIBLE INTEREST RATES FOR FEDERALLY INSURED MORTGAGES

(Mr. BLACKBURN asked and was given permission to extend his remarks at this point in the Record and to include extraneous matter.)

Mr. BLACKBURN. Mr. Speaker, the President has requested this Congress to authorize flexible interest rates for federally insured mortgages. I support this measure.

Under present law, the maximum interest rate that can be charged on mortgages insured by the Federal Housing Administration is 6 percent.

Under the flexible rate proposal, the Secretary of the Department of Housing and Urban Development would have authority to establish the maximum FHA interest rate on all market rate programs at a level he finds necessary to meet conditions of the mortgage market.

This is a more realistic approach toward maintaining an adequate supply of money for the mortgage market than for us to set an arbitrary rate and hope it will do. Present economic conditions bear this out.

Today's stringent market makes it difficult for home purchasers to obtain necessary financing. The problem is especially acute for families who need the favorable FHA mortgage terms in order to buy.

Inadequate flow of investment funds into mortgages leads to decreasing home sales and, in turn, to a decrease in home construction.

Under present market conditions, lenders are unwilling to make FHA-insured mortgage loans without the collection of substantial discounts because competitive securities can produce yields higher than 6 percent, the maximum statutory rate.

It is not unusual in some sections of the country for the seller, or builder of a home to pay as much as an 8-percent discount to lenders for FHA financing. On a \$20,000 home, this would amount to \$1,600—a heavy premium to pay for selling a home.

Authorizing the Secretary of HUD to establish interest rates to meet market conditions should work to ease the discount situation, and would enable those seeking FHA-insured financing to compete more equitably in the money market for available funds.

The average FHA-insured home mortgage is about \$15,500. The average value of the home with that mortgage amount is about \$16,000. FHA requires a minimum downpayment of \$600 for a home of that price.

But, if lenders will not make FHA-insured financing available because the interest rate does not yield enough return, another form of financing has to be obtained.

For the family who has saved the downpayment and amounts for other charges in the transaction, it is a disheartening thing to be unable to find a lender who will write an FHA mortgage.

What is the family's alternative? Conventional financing?

Conventional lenders require as much as 30 percent down. On the same house this amounts to some \$4,800.

Not having the needed cash, the family would have to postpone buying or obtain secondary financing at rates that might create an undue financial burden.

The problem is widely recognized, and the need for action to alleviate the situation is equally apparent.



Change to a flexible interest rate system would not only affect the financing and production of homes but also development of housing in multifamily projects for many thousands of people.

Present FHA market rate programs for multifamily housing projects are being adversely affected by current money conditions.

Discounts that sponsors of such projects have to pay are burdensome. When added to other costs of a project, the net effect is to discourage builders from proceeding with many worthwhile projects. This is precisely the situation the home-building industry must be able to avoid—if adequate shelter is to be provided to the millions of new Americans who will require it in the next decades.

A flexible rate would open the mortgage money market to many sponsors—particularly those seeking to serve moderate- and lower-middle-income families—who are now reluctant because of the discount. It would open it as well to countless individuals who seek new homes with FHA financing.

I do not think we can afford to ignore this problem. I do not think this country can afford it. The continued success of many home purchase and rental housing programs depends on our action.

I urge my colleagues to join with me in support of a flexible FHA interest rate.

#### CORRECTION OF VOTE BY CONGRESSMAN DOW

(Mr. DOW asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. DOW. Mr. Speaker, on January 10, 1967, rollcall vote No. 5 was a motion on the previous question offering the same rules for the 90th Congress that prevailed in the 89th Congress. I am recorded as having voted against the motion.

Very recently a number of constituent organizations have prepared tabulations of the voting pattern of Members, including myself. They selected rollcall No. 5, which involves retention of the 21-day rule to bring bills to the floor, as a critical vote deserving publication in respect to each Congressman.

Mr. Speaker, on that vote I was recorded in the negative, incorrectly. I could not say whether this was due to my own error or to some other. I desire to be recorded in the affirmative, as favoring the motion to retain the rules of the 89th Congress, including the 21-day rule.

My expression at this time is reinforced by the fact that I voted in the negative on rollcall vote No. 6, to eliminate the 21-day rule.

#### DOW INTRODUCES TABLE-EGG MARKETING ACT

(Mr. DOW asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. DOW. Mr. Speaker, on last Wednesday, February 21, I introduced the Table-Egg Marketing Act, H.R. 15488. This legislation will permit the egg pro-

ducers of our Nation to make their own decision on whether or not they want to control the supply of eggs and bring it into line with demand.

My bill is an enabling act which would set up a marketing control in the egg industry only if the egg producers want it. It is my belief that producers should have this privilege because of the continuing low price of eggs.

The election provided for in this legislation will be administered by the Department of Agriculture, with the producers themselves having the only voice as to whether they want to place controls on their own laying flocks.

No order will be issued by the Secretary of Agriculture until a majority of the registered producers vote to approve it. The majority of those voting must also own not less than a majority of the laying hens represented by the registered producers voting. Under this formula, if producers are in favor of egg quota legislation, then controls will be placed on the number of hens that each producer may maintain by a National Egg Board. The National Egg Board will be composed of two producer members from each table-egg production district.

The Secretary of Agriculture, under the legislation, would propose an order only on those commodities which would insure an adequate supply of table eggs. The commodities which would fall under the order would be limited to baby chicks, started pullets, laying hens, and table eggs and products.

#### A FEDERAL NEW COMMUNITIES PROGRAM

(Mr. DOW asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. DOW. Mr. Speaker, President Johnson has proposed that Congress authorize a New Communities Act. This proposal could provide the foundation for a new approach to guiding the internal growth of the Nation's urban centers.

The President has called the attention of all Americans to two major problems of the cities: Blight and deterioration are destroying older urban centers, built in the past. Unplanned or ill-planned growth is often taking place where new development is going on.

New communities planned for today's needs cannot solve all these problems but they can help to relieve the explosive pressures of crowded cities. They can solve many of the relocation problems that result when development or renewal plans for an urban area require the people who live in the area to move elsewhere.

Given the option of more centers to absorb our urban throngs we will gain some long-sought objectives. The Nation will achieve more orderly population patterns, as well as a more equitable distribution of economic activities. New communities thus will have a very positive effect on the well-being of urban Americans and on the Nation's economic life. Best of all, most of the results will be accomplished through the working of the private enterprise system.

Provisions of this New Communities

Act would involve a minimum amount of new Federal financial obligation. Using the existing grant-in-aid and loan programs, the act would provide incentives for local and State governments to back the development of new communities. Also this proposal calls for Federal guarantees to back private financing raised by the new community developers. Repayment of the financing would be geared to the actual cash flow experience of the new town as it grows.

It has been estimated that about \$500 million in private investment in new communities development would be generated by the proposed program.

New Communities Act is another forward-thinking proposal. I urge my fellow Members to join in support of the President's proposal.

#### VA AND FHA INTEREST RATES

(Mr. DORN was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. DORN. Mr. Speaker, the President has recognized in his message shortages of mortgage funds work great hardship on the home building industry and on families seeking to become homeowners.

In 1966, for example mortgage money dried up quickest for families who needed this credit the most—lower middle income and moderate-income families.

Since the sharp decline of mortgage funds, we have seen some improvement, but we are still in a very tight situation that makes it impossible for many families who want to buy homes to obtain financing on terms they can afford.

The range of discounts charged by lenders in order to make available mortgages insured by the Federal Housing Administration and Veterans' Administration continues at a very high level because the statutory rate allowed on these mortgages is not realistic in today's market.

Investors who are seeking to make FHA-insured mortgages competitive with alternative investments are forced to use the discount device. This makes the cost of offering property with FHA-supported financing extremely expensive to the seller of the home.

In my judgment, we should not delay in providing relief in this situation. We should move swiftly to open the way to FHA financing for homebuyers who need the liberal terms of FHA-insured mortgages in order to buy. We also need to take this action soon to ease the severe problems faced by families who want to sell their homes with FHA terms.

I support the concept of a flexible FHA interest rate to be set in response to mortgage market forces, and invite my colleagues to join me in this.

#### WHY VIETNAM?

(Mr. DORN was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. DORN. Mr. Speaker, Maj. Charles W. Lollis paid the supreme sacrifice in South Vietnam on February 6. Memorial services were conducted at Curtis Bap-



list Church in Augusta, Ga., on February 13 and final rites were held at Fort Myer Chapel and Arlington National Cemetery in the afternoon on February 21.

Major Lollis, son of Mr. and Mrs. Wm. L. "Sam" Lollis, of Liberty, S.C., was a graduate of Liberty High School. He attended Bob Jones University and Clemson University. Major Lollis was a patriotic, devoted, and dedicated American. I commend to the attention of every American who cherishes freedom this great soldier's last letter to his family:

DEAR FOLKS: First off, I'm fine after one of the worst weeks of the war here in Vietnam. There have been anxious moments since last Wednesday, but as I have told you before, I won't take any unnecessary chances. Things have quieted down pretty well again and I'm back at work.

This mess all got started on Wednesday morning and I didn't get to work until Saturday noon. It is now 2 a.m. Sunday morning. From the methods or tactics that Charlie has used this week it looks like the dying gasp of his efforts to enslave the Vietnamese people. It is inconceivable that the VC can continue the loss of people the way they have this week. As I see it he made 3 basic mistakes in his efforts to take over Saigon. First he didn't touch the electrical system, second the water system and third, but not least, the telephone system. Those utilities would have crippled the city. His biggest mistake of all, however, was that he turned on the civilians for the first time.

The VC used large numbers of civilians as hostages, moved into their houses and committed all kinds of atrocities. He at one point holed up in a children's hospital and was in almost all the Vietnamese hospitals at one time or another. They used churches and schools as headquarters. No one knows how long they had been tunneling in the graveyards where some of the bitterest fighting took place.

The death toll of the VC has passed 13,000 for a week. This number has not come cheap to the US and Vietnamese military but the ratio of communist vs free world has been impressive.

This must be the beginning of the end. The tactics used have been suicide just as the Japanese used in the closing days of the Second World War with the kamikaze pilots. The VC need an impressive victory before they go to the bargaining table. This victory has been denied and my hope is that it will continue to be denied. If we can defeat the communists here in Vietnam once and for all, we can pull out and leave it to the Vietnamese. I feel we made our big mistake in Korea in 1951 when we stopped at the DMZ. Here 17 years later, we are still heavily committed there. The communists only understand brute force. We cannot be "nice" as we have in the past and continue to exist. Some where in the world we are going to have to defeat the communist effort decisively or there will always be this type of war. If not here, some place else.

Truly, we are in the end times and there will no longer be peace on earth until the Prince of Peace returns. One thing that Christ said was that there would be wars and rumors of wars and the end was not yet. Watch, pray, and trust is all we can do. Our responsibility to mankind cannot be shirked. We must show to the World that there is hope in a freedom to worship the one true God.

There is hope, and the gospel of Christ can be spread under freedom, but not under communism. Here we stand with our responsibility—what will we do with it? Follow our own selfish pleasures, God forbid. We have a much higher calling than that. There is no pleasure in pleasure if the cost is not

determined. Fun is not fun if there is no way to tell when we aren't having fun. We must have a contrast to be able to appreciate one side or another. Hardship brings an appreciation for good times.

Oh, how small our thoughts are. How small our world and appreciation of it is. I pray that I shall never be blinded to the suffering of my fellowman, red, yellow, black or white and not be able to feel compassion for him. Our wealth is measured in our friends and we only gain friends through our love for people, and the only love you can show is the love that God puts in our hearts for our brothers. It will always be recognized and returned. And each day is a new challenge to love the unlovely. Why then do we have war? Why did the Israelites have war? It is only a small part of the struggle between good and evil.

It almost sounds contradictory to justify physical conflict but we are not fighting men as individuals but as ideas; it is there and cannot be denied. There is a constant conflict between good and evil.

Well, enough of philosophy for today. Almost 5 months of this tour is past history. Soon 1/2 of it will be over and once again we can be united to share the new love we have found. Rom. 8:28. There is no doubt in my mind about returning home, and I know there is none in yours. Don't worry about me. I do know how to take care of myself and have been doing just that. We took some casualties. Some of my friends have passed on this week and after investigating the circumstances surrounding what happened to them—they failed to exercise due caution. Mistakes like that are final. There is naturally a feeling of sorrow, but from their mistakes we can also learn.

Take care of yourselves, don't work too hard, tell everyone hello for me and I'll see you soon.

Love,

CHARLES.

### LOW-INCOME HOUSING

(Mr. FASCELL was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. FASCELL. Mr. Speaker, mindful of the need for decent housing for millions of Americans living in squalor, President Johnson last Thursday recommended a substantial increase in the number of dwellings for low-income families.

For many years, the federally aided public housing program, enacted in 1937, has been the principal source of shelter for low-income families, but it is still woefully short of the actual need.

The President in his message to the Congress made clear his dissatisfaction with the pace of federally assisted housing. His proposed budget calls for the start of 300,000 units next year. It also asks for 6 million housing units in 10 years, 11 times more than were provided in the last 10 years.

The President has asked us to move decisively on two phases of our urban crises: To reduce the number of substandard units inhabited by today's Americans while building new adequate shelter for the millions of new Americans who will live in our cities in the coming years.

Far too long have we failed to face up to the mounting crisis in housing. The President has now proposed a program to meet the crisis head on. His imaginative proposals deserve our fullest support.

### CONTRIBUTIONS OF ALABAMIANS TO THE DEVELOPMENT OF OUR COUNTRY

(Mr. BEVILL was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. BEVILL. Mr. Speaker, this, traditionally, is the season when we pay tribute to George Washington, our first President, and the most illustrious leader in our Nation's history. February 22, 1968, is also the 90th birthday of Miles C. Allgood, a good friend of mine; a constituent who served in this House from 1922 to 1934 from the State of Alabama.

Last September, Mr. Allgood stopped by to see me on a return trip from Expo '67 in Montreal. I had seen a group picture of President Franklin D. Roosevelt signing the TVA bill. Mr. Allgood also appeared in this picture. I realized he was an old timer whose life began in the 19th century. I thought it would be of interest to my colleagues to have Mr. Allgood recount the part he played in the history of his day. One of the things I asked was what Members of Congress from Alabama had contributed most to Alabama and the development of our country.

Under unanimous consent, Mr. Speaker, I am pleased to pass on to my colleagues the following information as he gave it to me:

REMARKS OF HON. MILES ALLGOOD, FORMER MEMBER, U.S. HOUSE OF REPRESENTATIVES, FEBRUARY 26, 1968

Senator John T. Morgan, of Selma, Alabama, was known as the "Father of the Isthmian Canal." He kept it before Congress for 30 years until it became a reality. The Canal brought the Atlantic, the Gulf of Mexico and Pacific port cities some eight thousand miles nearer, and opened commercial seaways for many products of the nations of the world.

It has increased our commerce by billions of dollars and helped make the U.S.A. a prosperous nation. Alabama kept John T. Morgan in the U.S. Senate until the Isthmian Canal Bill was enacted, so please give Alabama credit for the part she played in securing this canal. I had the high privilege of meeting Sen. Morgan and hearing him speak in his last campaign.

Another great Senator of Alabama was John Bankhead, father of Senator John Bankhead, Jr., and Rep. Will Bankhead (one-time Speaker of the House of Representatives) and grandfather of Tallulah, famous actress. Senator Bankhead is known in Congress as the "Father of Good Roads." He was the first to advocate federal aid to states to construct public roads for rural parcel post mail delivery. Today, paved highways connect our cities, towns, countryside, villages, farms and homes throughout the entire country. Millions of people traverse them by car, bus and truck. Good roads have developed our country and brought untold wealth, comfort, peace, pleasure and happiness to the American people.

In 1916, when I was State Auditor of Alabama, I went to Washington, D.C., with a tourist party. We asked Senator Bankhead to see if he could get President Wilson to welcome us to the White House. President Wilson shook hands with 60 of us.

Again, please give Alabama credit for sending to Congress Senator John Bankhead, the "Father of Good Roads," in the U.S.A.

In November, 1932, Franklin Roosevelt was elected President. The last of November, he called me to come to Warm Springs, Georgia.

His stenographer took the following interview: Roosevelt said, "Congressman Allgood,



# Senate

MONDAY, FEBRUARY 26, 1968

The Senate met at 12 o'clock meridian, and was called to order by Hon. JOHN STENNIS, a Senator from the State of Mississippi.

Rev. Hans Rebane, pastor, Estonian Evangelical Lutheran Congregation, Seabrook, N.J., offered the following prayer:

Our gracious heavenly Father, it is good to pause with Thee for a moment before starting out into the business of this day.

Thou hast called us and our Nation to a place of trust and responsibility throughout the world; enlighten the thoughts and govern the actions of all those in our country and in all other lands who are responsible for justice and order and peace. Guide and protect those who guard us and watch upon the ramparts the men in line of battle; those who direct them here and abroad; the leaders of this Nation who bear the weight of duty, even when those around them are uncertain and critical. Grant us grace fearlessly to contend against evil wherever it is found, and to make no peace with oppression and tyranny.

Thou, heavenly Father, knowest the aspirations and hopes of all Estonians on this 50th anniversary of the proclamation of their independence; the independence for which that small nation paid a great price but which was snatched from them by the cruel aggressor. We pray, make the aggressor loosen his grip on their homeland and all the other countries still kept captive. Hasten the day when all men shall dwell together in peace and unity and in obedience of Thy law of love.

We are grateful to know that we do not pray in vain in Jesus' name. Amen.

## DESIGNATION OF ACTING PRESIDENT PRO TEMPORE

The legislative clerk read the following letter:

U.S. SENATE,  
PRESIDENT PRO TEMPORE,  
Washington, D.C., February 26, 1968.

To the Senate:

Being temporarily absent from the Senate, I appoint Hon. JOHN STENNIS, a Senator from the State of Mississippi, to perform the duties of the Chair during my absence.

CARL HAYDEN,  
President pro tempore.

Mr. STENNIS thereupon took the chair as Acting President pro tempore.

## THE JOURNAL

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the reading of the Journal of the proceedings of Thursday, February 22, 1968, be dispensed with.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

## MESSAGE FROM THE PRESIDENT ON HOUSING RECEIVED DURING ADJOURNMENT (H. DOC. NO. 261)

The ACTING PRESIDENT pro tempore. Pursuant to the order of Wednesday, February 21, 1968, the Secretary of the Senate on February 22, 1968, received a message from the President of the United States on housing.

The Chair now lays the message before the Senate, and without objection it will be printed in the RECORD without being read, and then appropriately referred.

The message from the President was referred to the Committee on Banking and Currency, as follows:

To the Congress of the United States:

The cities that sprang up along the seaports, the river banks and the prairie crossroads of America were built and grew with pride and hope—until the early 20th century.

For several decades, now, the tide has run against the growth, strength and vitality of our cities.

Today, America's cities are in crisis. This clear and urgent warning rises from the decay of decades—and is amplified by the harsh realities of the present.

The crisis has been long in forming. At the turn of the century, Lincoln Steffens told of "the shame of the cities." Jane Addams spoke of "the vast numbers of the city's disinherited."

Powerful forces swept the city after World War II, hastening its erosion.

People who could afford to began moving by the hundreds of thousands to new suburbs to escape urban crush and congestion. Other hundreds of thousands were trapped inside by a wall of prejudice, denial, and lack of opportunity.

They were joined by still thousands more from America's rural heartland—the unskilled and the unprepared, displaced by advances in technology. Their thirst was for opportunity, for jobs, and for a better life. They found instead a mirage: for stripped of its bright lights, the city for them was poverty, unemployment and human misery.

We see the results dramatically in the great urban centers where millions live amid decaying buildings—with streets clogged with traffic; with air and water polluted by the soot and waste of industry which finds it much less expensive to move outside the city than to modernize within it; with crime rates rising so rapidly each year that more and more miles of city streets become unsafe after dark; with increasingly inadequate public services and a smaller and smaller tax base from which to raise the funds to improve them.

But these problems exist in hundreds of smaller towns and cities across America—towns and cities whose growth is in

numbers of people, but not in homes, or jobs, or public services, or schools or health facilities to serve them. The result too often is that these cities grow with decay, human misery, lack of job opportunity and increasingly concentrated poverty.

If the promise of the American city is to be recaptured—if our cities are to be saved from the blight of obsolescence and despair—we must now firmly set the course that America will travel.

There is no time to lose.

## THE PEOPLE OF THE CITY

The human problems of the city are staggering:

- Ghetto youth with little education, no skills and limited opportunity.
- Citizens afraid to walk their streets at night, and justifiably so.
- Negroes, Puerto Ricans and Mexican Americans barred by prejudice from full participation in the city's life.

Illiteracy and disease, a lack of jobs and even dignity itself—these are the problems of the city, just as its tenements, traffic jams and rats are problems.

The city will not be transformed until the lives of the least among its dwellers are changed as well. Until men whose days are empty and despairing can see better days ahead, until they can stand proud and know their children's lives will be better than their own—until that day comes, the city will not truly be rebuilt.

That is the momentous and inescapable truth we face in this hour of America's history.

No single statement or message can embrace the solutions to the city's problems. No single program can attack them.

No one can say how long it will take, or how much of our fortune will eventually be committed. For the problems we are dealing with are stubborn, entrenched and slow to yield.

But we are moving on them—now—through more than a hundred programs, long and short range, making financial commitments of more than \$22 billion to the task.

## THE WORK SO FAR

The last several years have witnessed a remarkable record of legislative achievement—and most of it has borne on the problems of the cities.

We struck down discrimination in job opportunities, public accommodations, and voting in the Civil Rights Acts of 1964 and 1965.

We provided job training for nearly 2 million disadvantaged men and women who now have the skills to support themselves and their families with dignity and self-respect.

We cut through a century of opposition and controversy to help the poor



school child with the Elementary and Secondary Education Act of 1965.

We brought healing and health to the elderly and the poor through Medicare and Medicaid.

We moved to help combat the pollution that poisons a city's air and fouls its waters.

And, with the Economic Opportunity Act of 1964, we finally embarked on a concentrated effort to eliminate poverty in this nation. That landmark measure has helped to change the lives of 6 million Americans.

These programs have brought hope to people in every city and town in America. Children from the slums find a new chance to succeed through Head Start. Poor teenagers earn their first paychecks through a Neighborhood Youth Corps program and stay in school. Needy young men and women, whose talents might once have been their life's frustration, go on to college through Upward Bound. Men find self-respect and good jobs through work training programs. Half a million volunteers are engaged in a mission of service to the destitute of their communities. More than 6 million Americans have been lifted out of poverty.

But almost 29 million citizens still remain in poverty.

If the problems of the city are to be solved, there can be no retreat in the War on Poverty. It must be pressed, with renewed emphasis on the most critical needs of the poor—job opportunities and education for the young, and the chance to join in cooperative self-help efforts to improve their own lives, as well as to participate in the broader community attack on poverty.

Last year the Congress extended the life of the poverty program for two years—but it appropriated only \$1.77 billion, some \$290 million less than we sought.

*For fiscal 1969, I recommend appropriations to the full level of Congressional authorization—\$2.18 billion—for the anti-poverty program.*

All of these measures help the people who live in our cities.

They are new programs, and only now are they beginning to take hold in improving lives of men, women and children.

With other proposals I have made to Congress this year—for open housing, for safe streets, for gun control, for 500,000 new, private sector job opportunities for the hard-core unemployed, for better education—we can further protect and improve the lot and the life of the city dweller.

Today, however, I want to speak of programs designed especially for our cities—of shelter for its citizens and plans for its revitalization. This message, too, is for men and their families. For our lives are profoundly affected by the environment in which we live, the city in which we work and reside, the home in which we relax and renew our strength.

#### AN EVOLUTIONARY RESPONSE

Five Presidents and fifteen Congresses have forged the Federal response to the problems of housing and urban development.

It began in 1937, when Franklin Roosevelt saw a third of the nation ill-housed.

He and the 75th Congress recognized that poor families could not, with their own resources, afford homes on the private market, and that some form of Government help was necessary if they were to have decent shelter. The result was the historic legislation that launched the Public Housing program.

Twelve years later, with the Housing Act of 1949, President Truman and the 81st Congress started urban renewal and pledged "as soon as feasible . . . a decent home and a suitable living environment for every American family."

In the 1954 Housing Act, President Eisenhower and the 83rd Congress expanded the program of urban renewal.

At the beginning of this decade, President Kennedy and the 87th Congress enlarged the Government's role to bring decent houses into the reach of families with moderate income.

In spite of these strides, when I became President:

- We had a loose collection of federal housing agencies, each operating programs in isolation, not only of each other but also of the federal assistance programs of other departments.
- Urban renewal was demolishing slum housing and dislocating people, but not enough new housing was being built for those forced to relocate.
- There was little interest in the private sector—by builders, architects and engineers—in providing decent shelter for poor families, and the public housing program was stagnated in numbers and in quality.
- Our concern with housing, health care, education, welfare and other social services was fragmented in the local neighborhoods where it counts.

Over the past four years, you in the Congress have approved our proposals to:

- Establish a Department of Housing and Urban Development to bring scattered housing and urban development programs together and give the American city the cabinet role it deserves.
- Begin a new program of Rent Supplements to increase the housing supply for needy families. Built and operated by private enterprise, the portion of rent paid by the Government declines as the tenant's income rises.
- Inaugurate the Model Cities Program, the first effort to attack blight on a massive scale and renovate entire neighborhoods, by providing special supplementary grants to those cities that concentrate the entire array of Federal, state and local programs, from health to housing, in the worst slum neighborhoods.

Even these achievements are not sufficient to deal with the crisis our cities face today. They do provide a base on which the proposals in this message build.

#### THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968

*I propose the Housing and Urban Development Act of 1968—a charter of renewed hope for the American city.*

With this Act, the Nation will set a

far-reaching goal to meet a massive national need: the construction of 26 million new homes and apartments over the next 10 years. Six million of these will finally replace the shameful substandard units of misery where more than 20 million Americans still live.

This Act will authorize the construction and rehabilitation of 2.35 million housing units with \$2.34 billion of contracting authority for the first five years of the ten-year program.

Under this legislation, we will in the year ahead:

- Start 300,000 housing units for more than one million citizens who need federal assistance to obtain decent housing. This is triple the rate of this year, and more than half the number built over the last decade.
- Continue to restore the core of our center cities—and with that, improve the lives of nearly 4 million Americans—through the Model Cities Program.
- Summon the talents and energies of private enterprise to the task of housing low-income families through the creation of a federally-chartered private, profit-making housing partnership.
- Make Urban Renewal a more effective instrument for reclaiming neighborhoods, through a new neighborhood development program.
- Add many thousands of construction job opportunities in the inner city.
- Stimulate the flow of private credit for home building in the city by providing flexible interest ceilings on FHA mortgages and transferring the secondary market operations of the Federal National Mortgage Association to private ownership.
- Help American cities develop modern and efficient mass transit systems and services.
- Offer the American family an alternative to crowded cities and sprawling suburbs, through a program to build new communities.
- Improve planning for the orderly development of public facilities for urban areas.
- Establish a base of research, analysis and knowledge of urban areas so we can make better informed decisions about the cities.

#### WHAT IS REQUIRED

To achieve our housing goal, we must move from low to high production.

We can make that shift only if the challenge summons the commitment of

- The capital and mortgage finance markets*, to supply the private funds which are the lifeblood of the construction industry. These funds must flow steadily and in increasing scale.
- The home building industry*, to tap an expanded Federally-assisted market for private low and moderate income sales and rental housing.
- The genius of American business* to bring to home building its skill and resources and the methods of modern technology so that houses can be built faster, less expensively and more efficiently than ever before.



—American labor, which has pledged to provide the necessary skilled manpower without discrimination.

—Government at all levels, to improve the working relationships with each other, and with the builders, lenders, and low income families who will be served by this program.

—Most importantly, the Congress.

First, the Congress must take steps now to insure strong, stable economic growth for the nation as a whole and the home building industry in particular.

Once again I call upon the Congress to pass the anti-inflation tax which I recommended more than a year ago. Soaring interest rates will cripple the homebuilding industry. The temporary surcharge tax legislation can help to keep that from happening.

Second, I urge the Congress to enact the fair housing legislation recommended repeatedly by this Administration.

Third, I urge the Congress to renew, fully fund and strengthen the basic housing and urban development legislation already on the books.

#### HOMES FOR AMERICANS

I urge the Congress to enact a program to provide 300,000 housing starts in fiscal 1969 for the poor, the elderly, the handicapped, the displaced, and families with moderate incomes.

This program would:

1. Enable 100,000 low-income families to buy or repair their own homes.

Home ownership is a cherished dream and achievement of most Americans.

But it has always been out of reach of the nation's low-income families.

Owning a home can increase responsibility and stake out a man's place in his community. The man who owns a home has something to be proud of and good reason to protect and preserve it.

With the exception of the pilot program I began last year, low-income families have been able to get Federal help in securing shelter only as tenants who pay rent.

Today I propose a program to extend the benefits of home ownership to the nation's needy families.

Under this program, the broad outline of which has already been set forth in S. 2700, low-income families will be able to buy modest homes financed and built by the private sector. These families will devote what they can reasonably afford—a specified percentage of their income—to mortgage payments, with the Government paying the difference in the form of an interest subsidy. Under this interest subsidy, the Federal Government would pay all but 1 percent of the interest on the mortgage, depending on the income of the homebuyer.

2. Start 75,000 public housing units, to provide homes for 300,000 Americans.

The job is to turn authorization to action—by accelerating the processing of applications, by moving quickly from commitment to construction, and by involving private industry fully under the new Turnkey concept.

Under Turnkey, a low-income project can be put up in less than half the time traditionally required for public housing.

Turnkey frees the builder from complicated and cumbersome procedures and

stimulates his initiative to develop imaginative and well-designed buildings at lower cost.

We have already extended the Turnkey concept to enable private industry not only to build low-income housing developments, but also to manage them.

Some Public Housing projects built in the past—when the challenge was simply to get units in place—reflect a tasteless conformity, and an indifference to community amenities.

At my direction, the Secretary of the Department of Housing and Urban Development has been working with leading architects and planners to achieve higher design standards for public housing developments. We know new projects can be pleasant places to live, reflecting the needs of human beings, with attention to comfort and convenience.

Our concern must be not only with the quantity of new public housing, but with its quality as well.

I propose a \$20 million program to promote improved tenant services in public housing developments.

With these funds, we can enable those who live in public housing to take better advantage of job, health and education opportunities.

We can help and encourage them to become involved, personally and responsibly, in the day-to-day problems of the projects where they live.

3. Authorize 72,500 units under the Rent Supplement Program to provide shelter for almost 250,000 poor Americans. In fiscal 1969, 35,000 dwelling units will be started under this program.

This program, which holds so much promise for the poor families of America, has been underfunded by the Congress. Last year, we sought \$40 million in annual payment authority. The Congress granted only \$10 million.

Rent Supplements is a free-enterprise program, strongly endorsed by the home building, real estate, and insurance industries which have responded enthusiastically to this new approach to low-income housing. It contains incentives for escape from poverty, while creating modest, but decent shelter for those in poverty.

If we are to match our concern for the cities with our commitments, this program must be adequately funded.

I recommend \$65 million in authority for the Rent Supplement Program for Fiscal 1969.

4. Begin to build 90,000 rental housing units for 360,000 members of moderate income families.

A program to provide housing for families with incomes too high to qualify for public housing, both too low to afford standard housing began in 1961.

This is a below market interest rate program known as "221(d)(3)." It serves families earning between \$4,000 and \$8,000 a year.

After 5 years of testing, we are ready now to move this program into full production.

But first we must improve it.

I recommend legislation to strengthen the financial tools under which the moderate income rental housing program operates.

Under this legislation, capital financing would be shifted to the private sector, and the Government would increase its support by providing assistance to reduce rents to levels moderate income families can afford.

Now the Government provides financial support for loans at 3 percent interest. Under this new arrangement, the private sector would make loans at market rates. The Government would make up the difference between the market rate of interest and 1 percent. The loans would remain in private hands.

#### TO HELP THE NONPROFIT SPONSOR

Many housing projects are sponsored by non-profit organizations—including church groups, and fraternal orders. In many instances these groups lack the technical and financial know-how which modern construction demands.

Their efforts are in the best interests of this nation, and the nation should help them.

I propose legislation to provide needed technical assistance and skills to the non-profit sponsors of our housing programs.

Through grants, loans, and technical assistance, this program will help small private non-profit organizations in our cities. These organizations will then be able to draw quickly upon architects, engineers and financial experts to speed the construction of low income housing.

#### THE BLIGHTED NEIGHBORHOOD MODEL CITIES

The slum is not solely a wasteland of brick and mortar. It is also a place where hope dies quickly, and human failure starts early and lingers long.

Just as the problem of the slum is many-faced, so must the effort to remove it be many-sided.

The Model Cities program gave us the tools to carry forward the nation's first comprehensive concentrated attack on neighborhood decay.

It was developed by some of the country's foremost planners, industrialists and urban experts.

The program is simple in outline—to encourage the city to develop and carry out a total strategy to meet the human and physical problems left in the rubble of a neighborhood's decay.

That strategy, which Model Cities spurs through special grants, is to bring to a dying area health care services, as well as houses; better schools and education, as well as repaved streets and improved mass transit; opportunities for work, as well as open space for recreation.

This program is now in its early stages. Sixty-three cities are drawing their plans to reclaim the blighted neighborhoods where 4 million Americans live. By this summer, a second group of cities will begin their planning.

Last year, I requested full funding of the amount authorized for Model Cities—\$662 million. But the Congress approved less than half that amount.

To the cities of this land, that cut came as a bitter disappointment.

In the cities' struggle for survival, we dare not disappoint them again. We must



demonstrate that they can rely on continued Federal support.

I recommend \$2.5 billion for the Model Cities special grants over the next three years:

—\$500 million for fiscal 1969.

—\$1 billion each for fiscal 1970 and 1971.

In addition, for fiscal 1969 I recommend \$500 million in appropriations for urban renewal solely related to the Model Cities program. This includes full funding for a \$350 million increase in the authorization.

The total funds needed to move the Model Cities program forward in fiscal 1969 are \$1 billion.

I urge the Congress to fund fully this vital request for the people who live in America's worst urban neighborhoods.

#### URBAN RENEWAL

Urban Renewal is the weapon that deals primarily with the physical side of removing blight. An essential component of the Model Cities Program, it is a major instrument of reform in its own right.

Last year, nearly 900 American communities were reclaiming inner city land under urban renewal.

Last year, the Congress appropriated \$750 million for Urban Renewal in Fiscal 1969.

*To give communities sufficient lead time for planning, I recommend that the Congress appropriate now \$1.4 billion for fiscal 1970.*

Even at these higher appropriation levels, under existing law Urban Renewal will not operate at sufficient speed to overtake the decay of our cities.

The lag between a community's decision to rebuild a neighborhood and the breaking of ground is far too long. Urgent neighborhood needs go unmet, awaiting the development and approval of a total plan for an entire area.

We must begin now to make urban renewal more immediately responsive to urban needs.

*To apply our resources more quickly, I recommend that Congress authorize a new Neighborhood Development Program under Urban Renewal.*

This legislation would permit detailed planning and execution to proceed segment by segment in an Urban Renewal area. Under existing law, neither demolition nor rehabilitation can begin on any portion of the area to be renewed until it is ready to begin throughout the entire area.

With this Neighborhood Program, cities can start work quickly on the most pressing problems that are to be renewed, with the emphasis on the construction of new and rehabilitated housing.

#### MEETING THE INSURANCE CRISIS OF OUR CITIES

Insurance protection is a basic necessity for the property owner. But for the resident of the city's inner core and the local businessman who serves him, protection has long been difficult to obtain.

The problem has been heightened by civil disorder or its threat.

Last August I established a Special Panel to seek the solutions to this problem. The Panel, headed by Governor Richard Hughes of New Jersey, offered a

clear example of how the States, industry and the Federal Government can join in a constructive effort.

The Panel looked deeply into the property owner's dilemma, and reported:

Society cannot erase the suffering of the innocent victims of fire, windstorm, theft, or riot. But it can at least provide the opportunity to obtain insurance to safeguard their capital, and thereby prevent a disastrous occurrence from a permanent tragedy.

The Panel recommended a comprehensive program of mutually supporting actions by the insurance industry, the States, and the Federal Government.

My advisers and I have reviewed the Panel's proposals carefully. We believe they are sound.

Accordingly, I call upon the insurance industry to take the lead in establishing plans in all States to assure all property owners fair access to insurance. These plans will end the practice of red-lining neighborhoods and eliminate other restrictive activities. They will encourage property improvement and loss prevention by responsible owners.

I call upon the States to cooperate with the industry and, where necessary, to organize insurance pools and take other steps to cover urban core properties. These measures will assure that all responsible property owners can obtain insurance, and provide a method of spreading equitably throughout the insurance industry risks that no single insurer would otherwise accept.

I recommend that the Congress establish a cooperative Federal-State-Industry program by chartering a National Insurance Development Corporation within the Department of Housing and Urban Development.

This Corporation will bring together all those vitally interested in the inner city insurance problem—members of the public, State insurance regulators and other State officials, insurance industry representatives, and interested Federal agencies.

The Corporation will perform a number of vital functions in support of the actions of private industry and the states to assure adequate property insurance in all areas of our nation's cities.

Through the sale of reinsurance against the risk of civil disorders, the corporation will marshal the resources of the insurance industry and add to this the backing of the states and the Federal Government. Without this reinsurance, many insurers and state insurance regulators do not believe the industry can move forward to provide adequate property insurance in urban areas.

This program will assist the insurance industry and the States to offer adequate property insurance for the inner cities. Through reinsurance, the program can help the States provide for the contingency of any large emergency losses.

For those companies who participate in this program, *I recommend tax deferral measures, proposed by the Panel, to increase the industry's capacity to insure homes and businesses in the center city.*

This program will encourage insurance companies to increase their reserves to cover unusual losses. Any deferred taxes will be invested in appropriate

Government securities, so that no Federal revenues will be lost by the tax deferral unless unusual losses do occur.

Insurance is vital to rebuilding our cities. It is a cornerstone of credit. It can provide a powerful incentive for homeowners and businessmen to rehabilitate their own property and thereby improve the community.

#### THE PRIVATE SECTOR

The Federal role—a quarter of a century in the making—is designed to assure that every citizen will be decently housed.

The Government's concern is to stimulate private energy and local action—to provide capital where needed, to guarantee financing, to offer assistance that encourages planning and construction.

The real job belongs to local government and the private sector—the homebuilder, the mortgage banker, the contractor, the non-profit sponsor, the industrialist who now sees the challenge of the cities a new opportunity for American business.

All of the programs I have outlined in this message are directed toward the deeper involvement of the private sector. That involvement must match the massive dimension of the urban problem.

What is needed is a new partnership between business and Government. The first outlines of that partnership are already visible.

We see it in:

—The recent understaking of the American Bar Association to improve the landlord-tenant laws—now more medieval than modern—and to attack other legal problems in our urban centers.

—The commitment of 318 of the Nation's life insurance companies to invest \$1 billion of their capital in low-income housing.

Within the next several days, the Savings and Loan Associations and the Mutual Savings Banks of this nation will announce their plans to intensify the investment of their capital for similar purposes.

#### NATIONAL HOUSING PARTNERSHIPS

How can the productive power of America—which has mastered space and created unmatched abundance in the marketplace—be harnessed to meet the most pressing unfilled need of our society; rebuilding the urban slum?

Last June, I asked a select Commission of leading industrialists, bankers and labor leaders to study this question. That Commission, headed by Edgar F. Kaiser, has now given me an interim report with many valuable recommendations.

Acting on the Commission's recommendation, *I propose that the Congress authorize the formation of privately-funded partnerships that will join private capital with business skills to help close the low-income housing gap.*

The Kaiser Commission identified three principal reasons why American industry has not yet been attracted to the field of low- and moderate-income housing. The problems and the steps proposed to meet them are:

#### 1. Concentration of Risk

The profitability of individual housing projects varies widely and the risk of loss



on any one project is high. The proposals national partnerships would permit industrial and financial firms to pool their investments and spread their risks over a large number of projects.

### 2. Rate of Return.

Substantial operating losses are usually incurred in the first 10 years of a housing project's life to cover operating expenses, interest and depreciation.

By employing the partnership form of organization, which some building owners now use, under existing tax law these operating losses can be "passed through" to each investor, and offset against the investor's other taxable income. This reduces the investor's current income taxes otherwise payable, and makes possible an annual cash return on investment comparable to the average earnings of American business in other manufacturing enterprises.

### 3. Management

The management personnel of major corporations are inexperienced in the field of low-income housing. They cannot afford to devote substantial time to occasional housing ventures.

The proposed national partnerships would be strongly financed organizations, fully committed to long term activity in the single field of housing for the poor. As such, the proposed partnerships should be able to attract top flight management and technical experts on a competitive career basis.

The objective of these partnerships will be to attract capital from American industry and put that capital to work. Their exclusive purpose will be to generate a substantial additional volume of low and moderate-income housing. They will use the best private management talent, planning techniques and advanced methods of construction. They will probe for the savings inherent in the latest technology and in economies of scale.

They will:

- Participate in joint ventures throughout the country in partnership with local builders, developers and investors.
- Join with American labor to open new job opportunities for the very people their projects will house.
- Participate in our existing and proposed federal programs for assisting low and moderate-income housing projects on the same basis as other project sponsors.

This new undertaking will begin with one national partnership. We expect that others will follow as the approach proves itself.

#### A NEW ERA IN HOUSING

The supply of credit is not unlimited. The Nation's banks, insurance companies, pension funds and other financial sources have an obligation to their depositors and shareholders to seek a fair and competitive return for their investments.

To insure that home financing remains competitive with alternative long-term investment opportunities, I recommend that the Congress:

- authorize the Secretary of Housing and Urban Development to adjust the FHA interest rate ceilings.
- authorize federal insurance of bond obligations issued by private mort-

gage companies or trusts holding sizeable pools of FHA-insured and VA-guaranteed home mortgages.

- transfer the secondary market operations of the Federal National Mortgage Association to completely private ownership.

#### FHA INTEREST RATES

Mortgages insured by the Federal Housing Administration and the Veterans Administration can by law carry no more than a 6 percent interest rate. In today's market this is no longer competitive. In practical terms, the result is the sale of mortgages at substantial discounts.

Discounts require hard cash beyond the normal downpayment. They erode the hard-earned equity of a home-owner and the profit margin of the builder of new housing. For when the rate of return on federally-insured mortgages is less than lending institutions can obtain from other investments, they require property-sellers to absorb discounts. To sell their homes, therefore, sellers realize less than they originally anticipated. And when builders of large projects—with 90% mortgages of \$1 or \$2 million, or more—must find additional hard cash to pay deep discounts, they will defer construction until the cash requirements are reduced.

As a result, many a house goes unsold and many apartment projects go unbuilt in a deep credit squeeze.

To assure a steady flow of funds into homebuilding, *I recommend that the Congress authorize the Secretary of Housing and Urban Development to adjust the FHA interest rate ceilings to reflect the economic realities of the financial markets. I have already recommended a similar adjustment on the interest rates for home loans to veterans.*

#### FEDERALLY-INSURED MORTGAGE BONDS

Some private institutional and individual investors have shunned investments in home mortgages because they could realize nearly comparable rates of return in other investments, and avoid the bookkeeping and paper work associated with hundreds of individual mortgages.

These pools of savings—in large institutional pension funds, private trusts, and occasionally in individual estates—can be attracted to residential finance. It will take a new, marketable financial investment, with competitive yields and security. Such a bond-type obligation can be created to cover federally-insured mortgages held by private mortgage bankers or trusts.

To enhance the attractiveness of such an obligation to investors, and thus attract additional funds to the housing market, *I recommend that the Congress authorize the Department of Housing and Urban Development to insure mortgage bonds that are secured by pools of FHA-insured and VA-guaranteed mortgages.*

#### FEDERAL NATIONAL MORTGAGE ASSOCIATION

Through the Federal National Mortgage Association, the Federal Government has helped keep mortgage funds flowing by buying mortgages when credit was tight and selling them when money was plentiful.

Today, FNMA is a hybrid, owned in part by private shareholders, in part by the government, but managed by Government officials.

This secondary market operation is largely a private function, which ought to be performed by the private sector—as the Congress has always intended.

*I propose legislation to transfer the secondary market operation of the Federal National Mortgage Association on an orderly basis to completely private ownership.*

This new FNMA, concerned exclusively with providing an increasing and continuous flow of funds into residential financing will close an important gap in the existing network of financial institutions.

This change will not affect the Government's special assistance to selected types of mortgages which are not yet readily accepted in the private market.

#### URBAN TRANSPORTATION

In the modern city the arteries of transportation are worn and blocked. The traffic jam has become the symbol of the curse of congestion.

It was only a few years ago, however, that we recognized this as a national problem. In signing the Urban Mass Transportation Act in 1964, I said:

This is a many sided challenge. We cannot and we do not rely upon massive spending programs as cure-alls. We must instead look to closer cooperation among all levels of government and between both public and private sectors to achieve the prudent progress that Americans deserve and that they expect.

Under this Act, we are

- Aiding cities to draw the blueprints to modernize, expand and reorganize their transportation systems.
- Helping to train specialists in the urban transportation field.
- Advancing research to improve the system and the service.
- Assisting communities to buy the capital equipment and to build terminals for their transit systems.

We must step up this effort.

In the year ahead, we expect to increase our grants to cities from \$140 million to \$190 million.

*I recommend that the Congress provide \$230 million for fiscal 1970 so cities can begin now to plan the improvement of their mass transit systems and service to the people.*

Urban transportation is the concern of our two newest Departments—Housing and Urban Development, and Transportation.

The Department of Housing and Urban Development is responsible for the development of the metropolitan community—and transportation is an essential part of that effort.

The Department of Transportation is responsible for the coordination of different—but closely related—modes of transportation. Moreover, research facilities bearing on transportation—out of which will come the transportation technology of tomorrow—are concentrated in this Department.

When the Department of Transportation was established in 1966, the Congress required both Secretaries of Hous-



ing and Urban Development and Transportation to study this problem and recommend the arrangement which would best assure the Government's ability to meet the transportation needs of America's urban citizens.

On the basis of their intensive study, and their recommendations, *I will shortly submit a reorganization plan.*

—*transferring to the Department of Transportation the major urban transit grant, loan, and related research functions now in the Department of Housing and Urban Development.*

—*Maintaining in the Department of Housing and Urban Development the leadership in comprehensive planning at the local level, that includes transportation planning and relates it to broader urban development objectives.*

#### RESEARCH AND TECHNOLOGY FOR THE CITIES

Federally-sponsored research has helped us guard the peace, cure disease, and send men into space.

Yet, we have neglected to target its power on the urban condition. Although 70 percent of our people live in urban areas, less than one-tenth of one percent of the Government's research budget has been devoted to housing and city problems.

We must:

—Learn how to apply modern technology to the construction of new low-income homes and the rehabilitation of old ones.

—Test these ideas in practice, and make them available to builders and sponsors.

—Look deep into the fiscal structure of the cities—their housing and building codes, zoning, and tax policies.

—Learn how best the federal government can work with state and local governments—and how states and local governments can improve their own operations.

—Evaluate our city programs, so we can assess our priorities.

Last year, I sought the first major appropriations for urban research: \$20 million. Congress appropriated only half that amount.

*I once again propose a \$20 million appropriation for urban technology and research.* This will assist the universities and private institutions of America to carry out the studies so crucially needed.

These funds, along with those from other Government agencies, will also help launch the new Urban Institute, which I recently recommended. This is a private non-profit research corporation formed to create a bank of talent to analyze the entire range of city problems.

#### PLANNING FOR THE FUTURE

A passenger on an airline flying from Miami to Boston is rarely out of sight of city lights below.

As our urban areas expand, the citizen's sense of community broadens. He may live in one locality, work in another, and seek leisure in still another.

The face of the landscape is changing with our growth.

The question is: *How shall our communities grow?*

Unless we decide now for order and purpose, the result will be surrender to chaos, confusion, ugliness and unnecessary and exorbitant cost.

The key to orderly growth is planning—planning on an area-wide basis.

Planning, both immediate and long-range, is the function and the responsibility of the State and community. But the Federal Government has long recognized the need for its support.

That need grows as the problem grows. *I urge the Congress to provide \$55 million in Fiscal 1969 to assist planning for the orderly growth of our urban areas, a 22 percent increase over last year.*

So essential is orderly development to the future of our urban centers that we must provide incentives to encourage it. In 1966 the Congress authorized—but did not fund—such a program of incentive grants.

*I ask Congress to authorize \$10 million for a program of area-wide Incentive Grants in Fiscal 1969.*

The Federal share of a project will increase by up to 20 percent of the costs of projects of areawide significance—if they are part of a comprehensive area plan.

The far-sighted community which responds to this incentive program will find its burdens lighter in providing hospitals, roads, sewage systems, schools and libraries.

#### NEW COMMUNITIES

Over the next decade, 40 million more Americans will live in cities.

Where and how will they all live? By crowding further into our dense cities? In new layers of sprawling suburbia? In jerry-built strip cities along new highways?

Revitalizing our city cores and improving our expanding metropolitan areas will go far toward sheltering that new generation. But there is another way as well, which we should encourage and support. It is the new community, freshly planned and built.

These can truly be the communities of tomorrow—constructed either at the edge of the city or farther out. We have already seen their birth. Here in the nation's capital, on surplus land once owned by the Government, a new community within the city is springing up.

In other areas, other communities are being built on farm and meadow land. The concept of the new community is that of a balanced and beautiful community—not only a place to live, but a place to work as well. It will be largely self-contained, with light industry, shops, schools, hospitals, homes, apartments and open spaces.

New communities should not be built in any set pattern. They should vary with the needs of the people they serve and the landscapes of which they are a part.

Challenge and hard work await the founders of America's new communities:

—Careful plans must be laid.

—Large parcels of land must be acquired.

—Large investments in site preparation, roads and services must be made before a single home can be built and sold.

—The development period is long, and return on investment is slow.

—But there is also a great opportunity for, as well as a challenge to, private enterprise.

The job is one for the private developer. But he will need the help of his Government at every level.

In America—where the question is not so much the standard of living, but the quality of life—these new communities are worth the help the Government can give.

*I propose the New Communities Act of 1968.*

For the lender and developer, this Act will provide a major new financing method.

A Federally-guaranteed "cash flow" debenture will protect the investment of private backers of new communities at competitive rates of return. At the same time, it will free the developer from the necessity to make large payments on his debts, until cash returns flow from the sale of developed land for housing, shops and industrial sites.

For the local and State government, the Act will offer incentives to channel jointly-financed programs for public facilities into the creation of new communities. The incentives will take the form of an increased Federal share in these programs.

#### A SENSE OF PLACE AND PURPOSE

"A city," Vachel Lindsay wrote, "is not builded in a day."

Nor—we know well—will its problems be conquered in a day. For the city's tides have been ebbing for several decades. We are the inheritors of those tragic results of the city's decline.

But we are the ones who must act. For us that obligation is inescapable.

Our concern must be as broad as the problems of men—work and health, education for children and care for the sick. These are the problems of men who live in cities. And the very base of man's condition is his home: he must find promise and peace there.

The cry of the city, reduced to its essentials, is the cry of a man for his sense of place and purpose.

Violence will not bring this. But neither should fear forestall it.

The challenge of changing the face of the city and the men who live there summons us all—the President and the Congress, Governors and Mayors. The challenge reaches as well into every corporate board room, university, and union headquarters in America. It extends to church and community groups, and to the family itself. The problem is so vast that the answer can only be forged by responsible leadership from every sector, public and private.

We dare not fail to answer—loud and clear.

To us, in our day, falls the last clear chance to assure that America's cities will once again "gleam, undimmed by human tears."

No one can doubt that the hour is late.

No one can understate the magnitude of the work that should be done.

No one can doubt the costs of talk and little action.



As we respond to the cities problems—to the problems caused by the accumulated debris of economic stagnation, physical decay and discrimination—let us recall and reaffirm the reasons for our national strength: unity, growth and individual opportunity.

And recalling these truths, let us go forward, as one nation in common purpose joined, to change the face of our cities and to end the fear of those—rich and poor alike—who call them home.

LYNDON B. JOHNSON.

THE WHITE HOUSE, February 22, 1968.

#### REORGANIZATION PLAN NO. 2 OF 1968—URBAN MASS TRANSPORTATION—MESSAGE FROM THE PRESIDENT (H. DOC. NO. 262)

The ACTING PRESIDENT pro tempore laid before the Senate the following message from the President of the United States, which, with the accompanying paper, was referred to the Committee on Government Operations:

*To the Congress of the United States:*

As long as he has lived in cities, man has struggled with the problem of urban transportation. But:

- Never before have these problems affected so many of our citizens.
- Never before has transportation been so important to the development of our urban centers.
- Never before have residents of urban areas faced a clearer choice concerning urban transportation—shall it dominate and restrict enjoyment of all the values of urban living, or shall it be shaped to bring convenience and efficiency to our citizens in urban areas.

How America and its cities solve the transportation problem depends largely on our two newest Federal Departments—the Department of Transportation and the Department of Housing and Urban Development:

- The Department of Housing and Urban Development is responsible for the character of all urban development.
- The Department of Transportation is concerned specifically with all the modes of transportation and their efficient interrelationship.

At present, responsibility for program assistance for urban highways and urban airports, and urban mass transportation is divided between the Department of Transportation and the Department of Housing and Urban Development. As a result:

- Federal coordination of transportation systems assistance is more difficult than it need be.
- Communities which have measured their own needs and developed comprehensive transportation proposals must deal with at least two Federal agencies to carry out their programs.

To combine efficiently the facilities and services necessary for our urban centers and to improve transportation within our cities, State and local government agencies should be able to look to a single Federal agency for program assistance and support. The large future cost of transportation facilities and services to

the Federal Government, to State and local governments, and to the transportation industry makes wise investments and efficient transportation systems essential.

An urban transportation system must:

- combine a basic system of efficient, responsive mass transit with all other forms and systems of urban, regional, and intercity transportation;
- conform to and support balanced urban development.

In this, my second reorganization plan of 1968, I ask the Congress to transfer urban mass transportation programs to the Secretary of Transportation and to establish an Urban Mass Transportation Administration within the Department of Transportation to strengthen the organizational capacity of the Federal Government to achieve these objectives.

The plan transfers to and unifies in a new Urban Mass Transportation Administration in the Department of Transportation those functions which involve urban mass transportation project assistance and related research and development activities. Because urban research and planning and transportation research and planning are closely related, however, the plan provides that the Department of Housing and Urban Development perform an important role in connection with transportation research and planning insofar as they have significant impact on urban development.

We expect the Department of Transportation to provide leadership in transportation policy and assistance. The Department of Housing and Urban Development will provide leadership in comprehensive planning at the local level that includes transportation planning and relates it to broader urban development objectives.

The transfer of urban mass transportation programs will not diminish the overall responsibilities of the Department of Housing and Urban Development with respect to our cities. Rather, adequate authority is reserved to that Department to enable it to join with the Department of Transportation to assure that urban transportation develops as an integral component of the broader development of growing urban areas.

The new Urban Mass Transportation Administration in the Department of Transportation, working with other elements of the Department, will consolidate and focus our efforts to develop and employ the most modern transportation technology in the solution of the transportation problems of our cities.

The reorganization plan provides for an Administrator at the head of the Administration who would be appointed by the President, by and with the advice and consent of the Senate. The Administrator would report directly to the Secretary of Transportation and take his place in the Department with the heads of the Federal Aviation Administration, Federal Highway Administration, Federal Railroad Administration and the Coast Guard.

I have found, after investigation, that each reorganization included in the reorganization plan transmitted herewith is necessary to accomplish one or more of the purposes set forth in section 901

(a) of title 5 of the United States Code.

I have also found that it is necessary to include in the accompanying plan, by reason of these reorganizations, provisions for the appointment and compensation of the new officer specified in section 3(b) of the plan. The rate of compensation fixed for this officer is comparable to those fixed for officers in the Executive Branch of the Government having similar responsibilities.

The reorganizations included in this plan will provide more effective management of transportation programs. It is not feasible to itemize the reduction in expenditures which the plan will achieve, but I have no doubt that this reorganization will preserve and strengthen overall comprehensive planning for developing urban areas while simultaneously insuring more efficient transportation systems for our cities than would otherwise have occurred.

I strongly urge that the Congress allow the reorganization plan to become effective.

LYNDON B. JOHNSON.

THE WHITE HOUSE, February 26, 1968.

#### EXECUTIVE MESSAGES REFERRED

As in executive session,

The ACTING PRESIDENT pro tempore laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the Committee on the District of Columbia.

(For nominations this day received, see the end of Senate proceedings.)

#### MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Bartlett, one of its reading clerks, informed the Senate that, pursuant to the provisions of section 1, Public Law 86-42, the Speaker had appointed Mr. SLACK, of West Virginia, as a member of the U.S. Delegation of the Canada-United States Interparliamentary Group, vice Mr. PIKE, of New York, excused.

The message announced that the House had passed the bill (S. 1093) to authorize the use of the vessel *Annie B.* in the coastwise trade, with an amendment, in which it requested the concurrence of the Senate.

The message also announced that the House had passed a bill (H.R. 14743) to eliminate the reserve requirements Federal Reserve notes and for U.S. notes and Treasury notes of 1890, in which it requested the concurrence of the Senate.

#### ENROLLED BILL SIGNED

The message further announced that the Speaker had affixed his signature to the enrolled bill (S. 269) to authorize an exchange of lands at Acadia National Park, Maine, and it was signed by the Vice President.

#### HOUSE BILL PLACED ON THE CALENDAR

The bill (H.R. 14743) to eliminate the reserve requirements for Federal Reserve



notes and for U.S. notes and Treasury notes of 1890, was read twice by its title and ordered placed on the calendar.

#### WAIVER OF CALL OF THE CALENDAR

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the call of the Legislative Calendar, under rule VIII, be dispensed with.

The PRESIDING OFFICER (Mr. MONTOYA in the chair). Without objection, it is so ordered.

#### LIMITATION ON STATEMENTS DURING TRANSACTION OF ROUTINE MORNING BUSINESS

Mr. MANSFIELD. Mr. President, I ask unanimous consent that statements in relation to the transaction of routine morning business be limited to 3 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### THE HONORABLE SCOTT W. LUCAS

Mr. DIRKSEN. Mr. President, the passing of the Honorable Scott W. Lucas, former majority leader of the U.S. Senate, marks the end of a colorful career.

Scott Lucas and I grew up together in the same area of Illinois, for we lived but 30 miles apart. I first came to know him when he played baseball as a first baseman in the old Illinois-Missouri league. In that field, he gained a great reputation and became known to thousands of baseball fans, young and old, as an outstanding player.

But it was by virtue of our association in the American Legion that we became intimately acquainted. He had served in World War I both as an enlisted man and as a lieutenant. My service was exactly the same.

He became active in Democrat politics as chairman of the State tax commission, as a delegate to many Democrat National Conventions, and then as a Member of Congress.

I came to the 73d Congress, and he was elected to the 74th and 75th Congresses. He was elected to the Senate in 1938 and again in 1944.

It became our destiny that I should become his opponent for the Senate in the campaign of 1950, and after his defeat he returned to the practice of law.

Some years ago, a circulatory affliction necessitated the amputation of his left leg. I went to the hospital to visit with him shortly before this surgery. No man faced such an ordeal with greater cheerfulness and courage; and when it became possible for him to move around, he attended dinners, baseball, and football games, and golf tournaments with magnificent determination.

While we were cast in the role of political opponents, it did not fracture our lifelong friendship. Scott Wike Lucas had a great career in public service, and he discharged every duty responsibility and well. He had a host of friends in all parts of the Nation, who will mourn his passing.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. DIRKSEN. I yield.

#### INTERFERENCE WITH CIVIL RIGHTS

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the hour between now and the vote on cloture be equally under the control of the minority and majority leaders or whomever they may designate.

The PRESIDING OFFICER. Does the Senator desire that the unfinished business be laid down at the present time?

Mr. MANSFIELD. Yes. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of the unfinished business.

The PRESIDING OFFICER. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (H.R. 2516) to prescribe penalties for certain acts of violence or intimidation, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. MANSFIELD. Mr. President, I ask unanimous consent—this will vacate a previous request that was granted—that the morning hour occur after the vote on cloture, so that the time can be devoted to that and related matters in between.

Mr. STENNIS. Mr. President, reserving the right to object, I did not understand the procedure of the majority leader in making these requests. He might have conferred with someone else. I am the one on duty today.

Mr. MANSFIELD. I must apologize.

Mr. STENNIS. There is no objection to it. The majority leader plans to arrange for an hour of active debate on the measure?

Mr. MANSFIELD. That is correct.

Mr. STENNIS. I have no objection.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. JAVITS. There is a word of art which we understand from the Parliamentarian with respect to "morning hour." Does the Senator refer to morning business?

Mr. MANSFIELD. The morning business.

The PRESIDING OFFICER. Without objection, the agreement is so altered.

Mr. MANSFIELD. If the Senator would allow me 1 minute, I yield my time on the pending proposed legislation to the distinguished Senator from Michigan, the lonely end.

Mr. HART. Mr. President, I yield to my majority leader such time as he may desire.

#### THE HONORABLE SCOTT W. LUCAS

Mr. MANSFIELD. Mr. President, I join the distinguished minority leader in expressing my deep sense of loss in the passing of an old colleague of ours and a former majority leader, the late Scott Lucas, of Illinois.

There is not much I can add to what the distinguished minority leader has already said, except to state that Scott Lucas was a man of great talents, not only in the field of athletics, but in the field of politics and in the field of law as well. He was a well known figure in the

annals of the American Legion in the State of Illinois. He was a highly competent majority leader, a man who handled the legislative work with great ability, and who remained a friend to all of us, even after he retired from the Senate.

On behalf of my family I wish at this time to extend my deepest sympathy to the family of Scott Lucas and say to them that we will miss him. May his soul rest in peace.

Mr. CARLSON. Mr. President, I was shocked last Thursday to learn of the sudden and untimely death of Scott Lucas.

Scott and Mrs. Lucas were our neighbors in the Sheraton Park Hotel for many years. We were not only neighbors, we were close friends.

Scott and I were sworn in as Members of the House of Representatives at the same time. During our service in the House, I was fortunate to have the opportunity to learn to know him and work with him, particularly in the field of agriculture. As a member of the House Committee on Agriculture, he rendered great service to the farmers of our Nation. This was during the depression days and agriculture was in serious difficulty.

Scott was majority leader when I became a Member of the U.S. Senate. Following his service in the Senate, I had many opportunities to seek his advice on legislation and other current and pressing problems. My many personal contacts with him will always be remembered fondly.

He was kindly, courteous, and considerate of his fellow man. It can be truly said of Scott Lucas that he was a great American and a great public servant.

Mr. PERCY. Mr. President, all of us note with sadness the passing of a great public servant, former majority leader of the Senate, Scott Lucas.

Scott Lucas' service to his State and his Nation began with his election as State's attorney for Mason County, Ill., in 1920, and continued uninterrupted until the day of his death. In his brilliant political career he served both in the House of Representatives and the Senate, and the measure of the esteem in which he was held is shown by his election as majority leader in 1948.

I had the privilege of talking with Senator Lucas frequently last year, during my first few months in Washington, when we both lived in the Sheraton Park Annex. He maintained an active interest in public affairs, and provided wise and valuable counsel not only to me, but to many others, on a wide variety of subjects. He advised me, for instance, on our homeownership for low-income family program, in which he maintained an active interest.

We of Illinois are particularly proud of his distinguished service to his State and his Nation. He left his mark on the Congress and will long be remembered by his friends and colleagues. He will be sadly missed by them, and by the Nation he served so well.

#### INTERFERENCE WITH CIVIL RIGHTS

The Senate resumed the consideration of the bill (H.R. 2516) to prescribe



Relationship with Canada, of course, holds the future of Libby Dam, the completion of the road that would link Glacier and Waterton Lakes National Parks on the west, and Alberta ranks with California and Washington as the principal sources of Montana tourists. Lethbridge, the irrigation center of Canada, is watered by streams that rise in the United States.

As far as Canada is concerned, we doubt that a single high school in Montana gives more than a fleeting reference to our friends across the line. Americans often as not teach Spanish at the high school level with the idea of friendly relationship with neighboring Latin America. This has merit. On the other hand these northern states, especially, overlook the situation of Canada being neighbor.

Back at the University of North Dakota, also near the border, we followed a familiar pattern as a student and took a minor in European history. We do not recall a single course that emphasized Canada. We haven't heard that schools in Montana are any better in this respect.

In a brief check here in Columbia Falls, a typical high school student answer was, "We had something about Canada in fourth grade geography."

Canada is 40 airmiles from Columbia Falls. It is the world's second largest country—3,845,774 square miles compared to Russia's 8,598,701 square miles, China with outlying areas, 3,760,339 square miles the United States including Alaska and Hawaii, 3,615,210 square miles and Brazil with 3,288,050.

Canada's immediate neighbors are the United States to the south, and north across the pole, Russia.

Our neighbors to the north are doing a remarkable job increasing living standards. Population of the dominion is 17,442,000.

American ignorance of Canada was evident during the National Governors' Conference at Many Glacier last June. Principal speaker by invitation of Montana's Governor J. Hugo Aronson was Canada's colorful and distinguished prime minister, John G. Diefenbaker.

New York's Governor Nelson A. Rockefeller got the headlines and the one picture of the conference used by Time Magazine for example.

The Hungry Horse News is acutely aware of Glacier being a part of Waterton-Glacier International Peace Park and the proximity of Alberta and British Columbia to Montana. This newspaper presented a picture of Prime Minister Diefenbaker on top of page one, where it belonged.

Our intention here at the Hungry Horse News is to present more information about Canada, our important neighbor. How lucky Americans and Canadians are. We speak the same language, and have many of the same values as to home, church and democracy.

[From the Columbia Falls (Mont.) Hungry Horse News, Oct. 28, 1966]

#### SEE ELK NEAR ROADS IN CANADIAN PARKS

Recommended fall outing for residents of the Flathead who want to hunt elk with a camera is to the Canadian national parks.

From Columbia Falls to Kootenay National Park is 220 miles over good road. Route is by way of U.S. 93 through Whitefish and Eureka to Elko junction, thence on Canadian Highway 3 to the Highway 93 junction and north to Radium Hot Springs. Roads are better in British Columbia than in Montana.

Not advised is going through Kimberley, B.C., a longer route with poorer roads.

Motel rates in Radium and Banff are cheaper this time of the year, and one can expect to see elk and mountain sheep. It's an easy weekend for the family budget.

Clean, attractive Canadian National Parks pools at Radium are open for swimming. Water in the hot pool ranges from 100 to 113 degrees, and above 70 degrees in the other.

The Hungry Horse News editor prefers Canadian parks in the fall and spring. Admittance for a car to all Canadian parks for a year is \$2.

Elk pictures in this series were taken in Yoho National Park on road to Emerald Lake earlier this month.

[From the Columbia Falls (Mont.) Hungry Horse News, Sept. 13, 1967]

#### ALONG TRANS-CANADA HIGHWAY—WHERE VISITOR TRAFFIC BOOMED

(By Mel Ruder)

The 1963 travel year saw a shift in travel from U.S. Highway 2 and Glacier National Park to Canada's wide, splendid Trans-Canada Highway through its national parks and across Rogers Pass.

The Hungry Horse News editor traveled the route last October, and drove it again this past weekend.

Even without the stimulus of the Seattle World's Fair there was a marked increase in travel in Banff this summer.

#### RECORD TRAVEL YEAR, 1962

Here in Glacier National Park, U.S.A., there was a tremendous 1962 visitor flow and a record 966,100 guests up 31 per cent from 739,982 in 1961. Traffic for 1963 generally has been running 17 to 18 per cent below last year. Motel owners of the Flathead are well aware of the drop.

In Banff Saturday there was an announcement by Supt. D. B. Coombs that August, 1963 saw a marked increase over traffic of August a year ago. Banff last month had 97,693 vehicles with 327,817 passengers enter its east gate up from 84,697 passenger vehicles with 288,406 riders in August, 1962. The Rogers Pass section of the Trans-Canada Highway that runs through Banff had its first through traffic July 30, 1962.

At an Esso station in Banff we chatted with Norm Stevenson. He said that gasoline sales were up 20 per cent this summer. Of course with better cars there are fewer lube jobs, and he said this phase of his business and repair jobs were down.

#### A \$2 PARK FEE IN CANADA

Fred Doyle and Phillips Spaens, both of Field, B.C. were at the Yoho National Park gate. Incidentally it costs just \$2 a year for a car to enter all Canadian national Parks in a year. Canadians have a difficult time understanding why Americans charge \$2 for 15 days or \$4 for the season in Glacier, and then \$6 for 15 days or \$6 for the season in Yellowstone.

Doyle had some interesting figures on American cars in Canada.

The jump in number of American cars entering Yoho was from 2,986 for July, 1962 (prior to Rogers Pass opening) to 8,206 in July, 1963. For August, 1963 there were 8,005 American cars.

Likewise there was an increase in numbers of Canadian cars from eastern provinces, especially Ontario.

Daily check of all cars (Canadians and Americans) through the Yoho entrance was 368 (per day) for July, 1962 jumping to 1,788 cars per day for July, 1963.

#### INCREASE FOR GLACIER

At the entrance to Glacier National Park (Canada) we chatted with Charles Raven of Revelstoke, whom we had seen last October on our trip over Rogers Pass. He said traffic was now averaging 700 cars a day (one way) had been averaging over 2,000, and peaked at 3,000.

We'd heard that Trans-Canada traffic last summer was often bumper to bumper. We found as much traffic on Trans-Canada last weekend as takes place on U.S. 10 in summer. Actually the road will not handle the traffic volume that a four-lane inter-state will in Montana.

Here we think of Canadians as relatively slow drivers. Up on the Trans-Canada Saturday and Sunday we were driving 55 to 60 miles an hour (speed limit 60) and were often passed.

In the Sept. 7 issue of "The Vancouver Sun" we noticed an interview with B. C. Highways Minister P. A. Gaglardi.

His conclusions were: "Traffic on the Rogers Pass (Trans-Canada) is reaching a point where tourists can't slow down and take the advantage of the scenery."

#### TOO CROWDED SCENIC ROAD

The British Columbia Highways Minister wants development of the Yellowhead Highway to provide an alternate route from Central Alberta to the coast "and take the strain off Rogers Pass."

Friday we drove to Radium Hot Springs on U.S. and Canadian 93 and then by way of St. Steele and Wasa to Highway 95 in four hours. A few years ago going by way of Kimberley, it would take 5½ hours. British Columbia this summer has had tremendous improvement of the road to Radium under-way.

Winter rates are in effect at Radium Hot Springs, and we noted that Saturday evening a number of the motels were full. We stay at the Columbia Motel, attracted first by the name similarity.

C. W. Neild, who is in charge of the fine Kootenay National Park Aquacourt, told us that through Sept. 6 there has been 228,350 paid swimmers and bathers up from 218,810 a year ago. July 1963 had fewer swimmers than July a year ago.

#### SLOWER SUMMER AT RADIUM

Radium motels had a poorer year than 1962. They also missed the World's Fair, realized the traffic increase from Banff through Golden and across the Trans-Canada, and also the considerable construction along Highway 95 north and south.

Of much interest to the Kootenay National Park area residents is completion of Highway 3 from Cranbrook through Creston and across British Columbia along the American border. The last link near Creston is just being completed.

We also saw the new Kootenay National Park Campground where the Canadian government has provided swings and teeter-totters for youngsters. Imagine Glacier National Park having playground equipment in its campgrounds?

A fundamental difference is that Canadians think of their national parks more as places to vacation and play as well as communing with nature.

At Rogers Pass, we parked next to a car with a Montana 7 license. It turned out to be Charles White, Kalispell attorney, with his brother, Father White of the Carroll College faculty, Helena. They'd returned from a trip to the coast, and incidentally caught their limit of salmon at Westport.

[From the Columbia Falls (Mont.) Hungry Horse News, Sept. 22, 1967]

#### RECOMMEND FALL OUTING TO VIEW CANADIAN PARKS

(By Mel Ruder)

Increasing numbers of north-western Montana residents drive to Kootenay and Banff National Parks in Canada.

Route is by way of U.S. 93, Canadian 3 then to 93 and 95 north to Radium Junction, gateway community to Kootenay National Park. Banff is 80 miles further.

Only poor highways for the outing are in Montana. Radium is 220 miles from Columbia Falls.

#### BUSY SEPTEMBER

Last weekend Radium seemed busier than West Glacier in August. There was a golf tournament. A few motels had "No Vacancy" signs. They were full.



However motel rates were at winter discounts. For example a \$10 unit with bedroom, bath and kitchen now rents for 8.

To be kept in mind is that U.S. Customs and Canadian Customs hours at Roosville, north of Eureka, are now from 9 a.m. to 6 p.m.

J. D. Nutter at U.S. Customs and Immigration said that traffic this season was up 3 or 4 per cent. Incidentally the station's attractive beds of petunias had escaped frost.

At Kootenay National Park traffic this year is somewhat down from a year ago. Expo 67 has attracted prairie and eastern Canadians away from western parks.

July 1—Dominion Day—saw the Aquacourt at Radium have its record day with 4,900 in the pools. The place was still rather busy last weekend with 864 admittance Friday and even more Saturday.

Damages from the May 3, 1967 explosion of the tanker just above the pools is obvious.

#### GAS EXPLODES

It was during the noon hour at 12:45 p.m. when the driver lost control of his vehicle 200 feet above the pools. The truck went into Sinclair Creek and the 6,000 gallons of gasoline exploded.

Miraculously the eight bathers escaped, and the pool was reopened in seven days.

Damage shows with a great fire scar of burned trees on the mountain, and many missing windows from the Aquacourt Building covered with plastic. Insurance settlement is still pending.

The hot pool—water up to 113 degrees—is scheduled for enlargement this winter. Information is that hot water will then be sent into the cool pool, ordinarily about 70 degrees.

#### REBUILDING HIGHWAY

Also to be under contract this winter and completed by next July is reconstruction of Highway 93 through the pool area.

American visitors should keep in mind that Canadians will observe their Thanksgiving Monday, Oct. 9. Reservations are recommended for persons going to Canada that weekend. There is also a teachers' convention. Our recollection is mid-October.

The big Redstreak Campground with 241 units is open until Sept. 30. There were 53 overnight campers Friday.

Campgrounds in Canadian parks present displays of flowers, and this large Kootenay National Park campground had four-foot high Canna lilies, brilliant geraniums and petunias.

Last weekend saw an absence of animals along the highway in the Kootenay Valley. Ordinarily the best show comes in mid to late October.

[From the Columbia Falls (Mont.) Hungry Horse News, Oct. 20, 1967]

#### CONSTRUCTION UNDERWAY ON MAJOR HIGHWAY 93 CONTRACT

Construction started this week on a \$2.2 million contract to rebuild Highway 93 in the vicinity of Radium Hot Springs, Kootenay National Park, Canada.

Contractor for this less than two mile contract is Burns and Dutton, Calgary.

Effective this week Highway 93 near the aquacourt (pools) is closed to through traffic from 8 a.m. to 3 p.m. Monday through Friday, and open Saturday and Sunday round-the-clock.

This is the route Flathead residents take when going to Banff in fall and winter months.

The contract provides for a parking area at the Radium pools somewhat below the present grade. Running overhead will be the new through highway. There will be large fills. Contract completion is June, 1969 with construction to be advanced so as to not hinder the 1968 travel season.

To coincide with highway construction is enlargement of the hot pool (113 degrees) at

Radium. Contract award is slated for November. Design of the present hot pool will be changed considerably to include a shallow end near the aquacourt building.

While this construction is underway, the 113 degree naturally hot water will be piped into the present cool (80 degree) pool. Hours at the pool last weekend were 10 a.m. to 9:30 p.m. daily. There may be some change because of construction activity.

Superintendent of the 543 square mile Kootenay National Park is J. E. Rae, who last weekend was in Ottawa. Our thanks to Naturalist Ian D. Jack for helping obtain information.

Kootenay National Park is entirely within British Columbia. Immediately to the north is Yoho National Park, and to the northeast meeting at the Continental Divide, Banff National Park.

[From the Columbia Falls (Mont.) Hungry Horse News, Dec. 29, 1967]

#### ELK GREET VISITORS IN CANADA

Pleasant winter outing for residents of the Flathead is less than five hour drive up Highway 93 to Canada's Kootenay and Banff National Parks.

Convenient overnight accommodations are available at Radium Junction—entrance to Kootenay National Park—220 miles from Columbia Falls. Roads are better in Canada than between Whitefish and Eureka. Take route in Canada through Ft. Steele.

This winter sees the Sinclair Pass section between Radium Junction and the hot pools closed Monday through Friday from 8 a.m. to 3 p.m. except for holidays. Burns and Dutton, Calgary, has a \$2.2 million contract for reconstruction of less than two miles of highway and a parking area. The road is open Saturday and Sunday. Banff is 85 miles from Radium.

Also under construction is the 113 degree outdoor hot pool at Radium which is being more than doubled in size. In use is the former cool pool with the piped natural hot water bringing temperature to about 90-95 degrees.

Swimmers these days can look above the pool to a decorated Christmas tree. It is also a pleasant experience to be comfortable swimming outdoors in warm water while snow is falling.

There have been fewer visitors at Radium this winter because of road and pool construction.

Obviously absent were older persons who take the hot water cure for aches and pains.

Snow depths are less than normal so far in Kootenay and Banff National Parks. Apparently the storms went south to Arizona.

[From the Columbia Falls (Mont.) Hungry Horse News, Feb. 9, 1968]

#### FERNIE TO BOOM WITH \$650 MILLION AWARD (By Mel Ruder)

A major industrial boom is starting 100 miles north of the Flathead Valley at Fernie, B.C.

Yet Montanans heard or read practically nothing of the Jan. 31 announcement. International boundary between Canada and the United States continues to be a tremendous news barrier.

Hungry Horse News editor went to Fernie, Natal and Michel Monday.

#### ENTERPRISING PAPER

First stop was at "The Fernie Free Press." Half the front page of the enterprising newspaper had a big headline: "\$650 Million, It's Signed!" We don't own type as large as they used.

Page one stories told of a contract signed between Kaiser Coal, Ltd., subsidiary of Kaiser Steel Corporation, and Mitsubishi-Shoji Kaisha, representing seven major Japanese steel firms.

The contract calls for shipment of more

than 45 million long tons of high-grade coking coal over a 15-year period starting in early 1970. The coal will come from new mining operations to be developed in the Crows Nest area of southeastern British Columbia.

This area is 100 airmiles north of Columbia Falls.

Jack L. Ashby, president and chief executive officer of Kaiser Steel Corporation and Kaiser Coal Ltd., told Publisher Adrian Kennedy of the Fernie Free Press: "As a result of this sales contract, we are proceeding with acquisition and development of coal lands as provided for in our agreement with Crows Nest Industries."

#### MAJOR INVESTMENT

Ashby indicated Kaiser Steel's investment in Canada for new mining facilities will approximate \$55 million and will increase production of Crows Nest coal from the present 800,000 tons a year to about four million tons per year for Japanese and other markets including North America (the United States).

Publisher Kennedy showed us a picture of Harmer Ridge where bituminous coal in a 65-foot thick seam has been exposed. The Balmer seam on this ridge runs for at least eight and a half miles and averages 50 feet thick. New operations will be here.

The Fernie publisher came to Canada from Ireland 30 years ago, and arrived in Fernie five years ago from the uranium boomtown of Elliot Lake, Ontario. We also met Gilbert Wood, mechanical superintendent, and Lloyd Phillips, news editor. Kennedy, Wood and Ron Powell, Cranbrook publisher, own the Fernie paper which is presently printed in Cranbrook.

Kennedy said that Fernie has 2,861 residents and has been static for years. Now prediction is for 10,000 by 1975.

Much of the business section contains brick buildings erected in 1909 following a disastrous fire. Noted was that only two new business buildings had been erected since 1909.

#### ONCE PROSPEROUS

Once Fernie was prosperous with the Great Northern owning much Crows Nest Industries stock, and a line bringing coal to Rexford.

Of considerable interest to Montanans is prospect of a rail line being built by the Kootenay & Elk Railway, Crows Nest Industries subsidiary, south to the Great Northern near Eureka.

The Canadian newsmen thought the Great Northern connection should be built. So did men sitting in the lobby at the King Edward Hotel, and the service station man who filled our tank, prefixed Canadian Pacific with a cuss word. The CPR badly needs public relations improvement in Fernie, and is credited with holding the community back.

To be noted is Saturday's "Lethbridge Herald" with the top story under this headline: "Government Will Insist on Canada Coal Route."

The story starts: "Vancouver—Transport Minister Paul Hellyer said Friday the federal government will insist that the \$650,000,000 of B.C. coal destined for Japan under a Kaiser Steel contract be shipped from the mines to Tidewater by an all-Canadian route. . . ."

#### PRESIDENT'S PROGRAM FOR THE CITIES

Mr. RIBICOFF. Mr. President, President Johnson has proposed a comprehensive program to deal with the Nation's most urgent domestic problem—the city.

The program proposed in the President's message to the Congress and the American people blends the strongest forces of our society—government, business, and labor—in a cooperative and creative way to solve some of the problems that beset our urban centers.



By mobilizing decisive economic tools—the profit motive and tax incentives—we can make an excellent start in remedying the sickness that has our cities in its grasp.

The program draws upon the recommendations and proposals advanced by recognized leaders in the urban field. And we in the Senate can be proud of our contributions to the President's message.

Many of us have called for bold leadership in urban affairs. This message demonstrates that leadership and a grasp of the basic steps required if we are to fulfill our commitment to urban America.

The program is not a panacea for the problems of cities. The President, I am sure, did not intend it to be. The plan builds—very properly—on the initiative of the model cities and poverty programs. It forges the successes of the past into a tool with which we can deal with the problems of today and a plan to deal with problems of the future.

Under the President's plan, housing programs will no longer depend on those in Washington and in the cities alone. For the message calls upon the talents of the Nation's corporations, the strength of labor, the knowledge of the men in finance, the imagination of city planners and administrators and—equally important—the concept of self-help for the poor.

The President has spelled out the challenge in clear-cut terms. Now it is up to Congress, the Governors, State legislators, the mayors and city councils of America. Now is the time for all of our citizens to unite in recognition of the problems we face. President Johnson has pointed the way. Now we must—with all our determination—move against these problems.

#### THE ENVIRONMENTAL CRISIS

Mr. NELSON. Mr. President, there is today increasing concern about the continuing deterioration of environment. Our air, water, and soil are all threatened by the vast tide of pollution that is sweeping the country. Modern man has far exceeded nature's capacity to dilute and purify all his wastes and the wastes of his society.

In a speech recently before the Natural Resources Committees of the U.S. Chamber of Commerce, Secretary of Agriculture Orville Freeman outlined the enormity of the environmental crisis we face today and spoke specifically about some pollution problems which are related to agricultural practices.

The beneficial aspects of pesticides have never been questioned. There is, however, great concern—and it is justified—over the continued, widespread use of pesticides like DDT which do not break down in nature after application. Secretary Freeman, in his speech, points out the drastic reduction in DDT use by the Department of Agriculture in the last 10 years. Further, he defines the basic policy of the Department of Agriculture regarding DDT which is that persistent pesticides are used only when there is no effective alternative available. I fully endorse this position.

The Secretary, in his speech, describes some other specific problems which il-

lustrate the need to develop broad soil and water conservation programs aimed at preserving all of our remaining land resources, both agricultural and non-agricultural. Controlling erosion and the resultant siltation are a significant part of our program to halt the pollution of our waters.

I commend Secretary Freeman's speech to my colleagues and ask unanimous consent that the full text of the speech be printed in the RECORD.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

REMARKS BY SECRETARY OF AGRICULTURE ORVILLE L. FREEMAN TO THE AGRICULTURE AND NATURAL RESOURCES COMMITTEE OF THE U.S. CHAMBER OF COMMERCE, WASHINGTON, D.C., FRIDAY, FEBRUARY 2, 1968

A week or so ago, I saw these lines in George Stewart's new book, "Not So Rich as You Think":

"When some future historian sits down to summarize what the present generation of Americans has accomplished, his climactic sentence could read: 'Of the waters, they made a cesspool; of the air, a depository of poisons, and of the good earth itself, a dump...'"

Too harsh—perhaps so. But I am very much afraid that future generations will judge most harshly a race of men that had all the technical knowledge, all the resources they needed to provide a clean water, air and land, but lacked the will to do so.

If we let that happen, then they will so judge us.

It is no secret that we are facing an environmental crisis. It affects every one of the basic elements of the biosphere—air, earth and water, and every one of us.

I know that you in agriculture and agribusiness are concerned. I know that the public is concerned. Pollution is now ubiquitous. Its effects on the American people—70 percent of whom live in urban areas—could be aptly summed up like this: "The total effect of pollution is greater than the sum of its separate parts." It isn't just a matter of dirty water, or of just dirty air, or just noise pollution or suburban sprawl and clutter—which someone described as "land pollution." It's all these things coming together at once in a combined assault on the senses.

This has finally persuaded the average citizen that he has a crisis on his hands. I can assure you that the Secretary of Agriculture is vitally concerned with this crisis, and aims to do something about it.

Few Americans stop to realize that the USDA administers conservation programs covering nearly 81 percent of this country's land... all the crop land, the grassland pasture and range, and the National Forests.

We have "first," federal responsibility for the water than falls on this 81 percent of the land. We have extensive programs for controlling, conserving and developing this water where it falls. About half our total personnel—50,000 people—are involved in conservation work, either in research or action programs.

These 50,000 people are the shock troops of the war on pollution—and they're beleaguered. Now, everyone's against pollution, just as everyone's against sin. But, in a very real sense, we all want those things that are the proximate cause of pollution.

We like cars, which invariably are the leading pollutants of metropolitan airsheds. We like the manufactured bounty from factories that pollute the waters, and we like the thousand-and-one other products of the most highly-advanced technological society man has ever known.

We even like our back-yard barbecues, whose steaks contribute their bit toward murky skies.

With this general introduction, let me proceed to the subject you invited me to speak on, agriculture and pollution:

Agriculture is both sinner—and sinned against—in this matter. Last year, crop damage from air pollution alone was nearly half a billion dollars. And farmers—like everyone else—need clean water to drink, clean air to breathe and, of course, unpolluted air and water for their crops and livestock.

I suppose that we are "sinners" also, a subject I'll discuss in depth in a moment. For now, let me say that we're on top of this problem of agriculturally-caused pollution:

(1) We will ask Congress, in this session, for new authority to deal with the urgent problem of water pollution, as it pertains to agriculture and;

(2) Existing programs—that this Department has administered for many years—are receiving my personal attention, with an eye toward redirecting them to meet new needs.

Now, let me tell you about three major areas of my current concern:

The first is chemicals and pesticides. The Department has reduced its own spraying with persistent pesticides, such as DDT, by a factor of 50 to 1 over the past 10 years. We have established an effective and widespread monitoring system. More on this in a moment.

A second is animal wastes: Today, two-thirds of all beef produced comes from feed lots. The disposal facilities to cope with the staggering amount of animal wastes from highly concentrated feeding operations just don't exist. This is also giving us serious concern.

And finally, the old problem of silt. This is still the most widespread single source of water pollution. Our Soil Conservation Service has been dealing with it for a long time. But new conditions have created the necessity for new directions and new legislation.

So let's start with some simple facts on chemicals and pesticides. The world can't feed a population that may reach 7 billion or more in another three decades without them. We couldn't feed our own people at the lowest cost in the world—less than 18 percent of disposable income this year—without the help of them. This is primary.

Last year, Americans applied 32 million tons of fertilizers to their farms, lawns, gardens and pastures. Too much? Well, even though we've doubled the use of fertilizers every 10 years in the past half-century, the average use of chemical fertilizers per cropped acre here in the U.S., is only one-tenth the level used in the Netherlands, to cite one example.

These fertilizers are not without their problems. Nitrogen and phosphorus nurture the growth of "algal blooms" on ponds, lakes, and streams. It is true that some nitrogen moves in land runoff from fertilized fields. But most of our scientific evidence indicates this is a minor contributor to stream nitrogen right now.

I'm not unconcerned about this problem. But I do feel that the real answer to it is better land use practices to curb the run-off and sediment delivery that transports unwanted fertilizers into watersheds. This makes good sense, both from an economic point of view—keeping it on the land—and from a conservation viewpoint—keeping it out of river systems.

We're not stopping here, however. For 80 years now the Department has been studying behavior of phosphorus in soils, water and plants. In this, and in nitrogen research, we've developed—and distributed to farmers—information on proper fertilizer placement, timing applications, and optimal levels of application for every different soil in the U.S. This helps farmers gain the maximum economic use of fertilizer and minimize losses to his environment. We aim to do more of this.



## PESTICIDES

The same can be said of pesticides.

Already the Department has made great strides in meeting the environmental problems of pesticide use.

For instance:

Research in this field has been greatly expanded.

We recognize the great danger from improper pesticide use. We're working constantly on better licensing, better instruction, and better information in using them.

The Department's research divisions are also working on less persistent sprays, and better monitoring and surveillance of pesticide use.

And as you all know from screw-worm eradication and other programs, we've developed biological methods of pest control. Sterilization, use of predators and pathogenic—or harmful—organisms have eliminated the need for chemicals in controlling some pests.

We're finding more selective chemical pesticides. Major basic research is pressing forward to new solutions to pest control problems.

The Department reduced its own spraying with DDT from 4.9 million acres in 1957 down to and just over 100,000 acres in 1967—a reduction of 50 to 1. We now use persistent pesticides, such as DDT, only when there is no effective alternative.

And, as I mentioned earlier, we're expanding our rural areas monitoring of pesticide use. We now have 55 monitoring stations across the country.

## ANIMAL WASTES

The second great problem I mentioned earlier is the safe disposal of *two billion* tons of animal waste a year.

About two-thirds of the U.S. beef output now comes from feedlots. Today, feedlots with 10,000 head of cattle; broiler operations with 100,000 birds, are not uncommon. This confinement of cattle, hogs and fowl to small, concentrated areas has created a serious and growing sewage disposal problem.

Nebraska and Iowa, for example, feed nearly 3 million head of cattle a year. Their animal waste is equivalent to that produced by 49 million people, or 11 times the human population of these two states. Unfortunately, sewage disposal systems to handle this volume of waste are woefully inadequate.

One cow produces animal wastes equal to the sewage of sixteen people. One feedlot of 10,000 head of cattle has the waste of disposal needs of a city of 160,000 people.

Now, you know the statistics of the problem. I'm sure you've been exposed to them before. Back when most of us in this room last rode on a manure spreader, the problem was simple. We spread it on the fields. But now it's cheaper for farmers to get their nitrogen from a bag than from a barnyard—the price of nitrogen fertilizer in 1968 is cheaper than it was during the nineteen thirties.

The farmer and the feedlot operator are left with manure they usually can't sell, can't even give away, can't burn. And all too often it winds up in the streams, with predictable results.

This is a relatively new problem, and research is in its infancy. We all know—me most of all—that farmers are in a cost-price squeeze. We can't expect them to use economic fertilizers. What's needed, in my opinion, is a crash research program, both in the scientific aspects of this problem, as well as the economic. The problem can be met, and we're working on it now.

We're researching plans for a number of waste-disposal systems. They include lagoons, incinerators and waste-destroying bacteria. We're testing the principle of purifying polluted water by percolating it down through the soil. In some places waste runoff can be diverted into grassy areas with a high filtration capacity.

This problem can be met. There are solutions. But it will take cooperation, money and hard work to do it.

## SALINE POLLUTION

Now a word about saline pollution—about half the 32 million acres of irrigated land in our 17 western states is subject to it. One of these Western states is heavily irrigated California, that grows 40% of the Nation's fresh fruits and vegetables.

Some irrigated lands in the Southwest have registered up to 25 tons of salt per acre foot of water used. But a more typical example is the land near Yuma, Arizona, where the Colorado river carries about a ton of dissolved salt in every acre foot of water. There, when a farmer applies 5 acre feet of water, he also so to say, "applies" roughly 5 tons of salt. Then, as the salts build up, they must be washed out with more water if the crops are not to suffer.

Our scientists are exploring new types of salt-resistant food crops. They've established the salt tolerance of over 60 plants. They're working on water quality measurements and leaching requirements.

This salinity research may eventually help us solve the world food problem. Immense acreage of agricultural lands in food-poor countries are now useless from salt buildup. If dependable methods can be found to reclaim salty soil and prevent future salt buildups, it will mean better food, and a better life, for literally millions of people.

## SILT

That brings us to the oldest of all water pollutants—one that was around long before man came on the scene—silt and sediment. The cost of sediment in our reservoirs alone is \$100 million a year. Sediment ruins recreational lakes, kills fish, costs millions in taxes for dredging and filtering, and carries other pollutants into the water. Total yearly silt pollution damage is in excess of \$346 million.

Listen to this, from an article last month in the *Des Moines Register*:

"The Iowa Conservation Commission moved Wednesday to save the state's lakes from filling up with silt, but the action may have come too late for some lakes and streams.

"At stake are all our natural lakes," said James R. Hamilton, a Storm Lake attorney.

"In a unanimous vote, the commission directed its staff to write a comprehensive plan for control and improvement of the watershed areas from the standpoint of siltation control.

"The plan, at the urging of Hamilton, will also embrace the matter of compelling offending landowners through appropriate legal action to remedy the injurious effect of the siltation processes.

"The commission intends to seek approval from the next session of the Iowa Legislature to clamp down on farmers who, through poor soil conservation practices, flood Iowa's lakes and streams with silt and sand."

Sediment is a terrible example of a resource out of place. It hurts the land where it comes from and hurts the water where it goes.

And it isn't just a farm problem. In 1967 the Nation stripped one-and-a-half million acres bare for housing developments, new roads, and other construction. Sometimes it is years before we build on this land—and, in the meantime, it erodes.

You've seen this construction around Washington. It's the fastest growing large metropolitan area in the Nation. About 25% of the sediment that turns the lower estuary of the Potomac brown comes from these construction sites. In metro Maryland, studies show that land undergoing development produces from 2 to 200 times the amount of sediment as nearby farmland.

Suburbia isn't the only villain: In the intermountain West, 66 to 90 percent of the sediment produced by streams comes from streambank and streambed erosion. Else-

where, two million acres of strip mined lands—all producing heavy sediment—need conservation treatment. A bill before Congress now would authorize USDA to assist more directly in sediment control in such areas.

This non-farm erosion will increase unless steps are taken to control it. New building construction during the present decade will exceed all other building in this country since the Revolution to now.

This Administration is concerned.

The Department of Agriculture and the Department of Housing and Urban Development last year co-sponsored the first national conference on suburban soil and water problems. It was attended by contractors, conservationists and others. Future conferences are being planned all over the country to meet the problem.

## A 20 TO 1 COST-BENEFIT RATIO

Soil is going to wind up somewhere. It's a solid part of our environment. That leads me to a rhetorical question: Is it better, through erosion control measures, to pay a little bit to keep useful soil on the land—or is it better to pay a great deal more at the other end of the line, and dredge that soil out of some river or reservoir?

The comparative costs are 1 to 20. That is, it averages 20 times as much to dredge sediment out of water, as it would have cost to keep it as soil on the land, leaving aside the productive loss to the farmer from his lost topsoil.

This form of pollution prevention—rather than costly correction, is simple logic. Sediment pollution is not only our highest-volume pollutant, it's one of our most expensive. It carries other pollutants, such as chemicals, into streams, which arrive there along with sediment and runoff water.

Conservation keeps both—soil and runoff water—on the land.

We know from long experience that conservation measures such as contour strip cropping, terracing cover crops do markedly reduce sediment loads. We know these same principles of land use can be adapted to urban fringe lands as well.

Let me close by saying this: There aren't any easy answers to the problem I've discussed this noon. But they're not beyond our ability to solve. In this country—and I believe this as an article of faith—we can do anything we want to do.

Just look at what we've done so far.

The Department of Agriculture has helped landowners to contour 43 million acres of American soil. We've helped plant 110,000 lineal miles of hedgerows and windbreaks, and another 13 million acres of trees. We've helped build a million and a half acres of grassed waterways. By the nineteen fifties, when another potential dust bowl descended on Kansas, farmer-conservation measures reduced the days of blowing dust from 120 days a year, during 1936 and 1937—down to 40 days in 1956 and '57, when conditions were just as bad.

We can do it. The government can't do it alone. We need your help, and I ask for it now.

Thank you.

## COMMENDATION FOR U.S. CONSUMER

Mr. HART. Mr. President, the U.S. consumer—as most of us are aware—needs all the help she can get in making wise selections from the multitudinous number of products clamoring for her dollar in today's marketplace.

Periodically in the past 3 or 4 years publications have cropped up which attempted to serve consumers by supplying information. Unfortunately, many of the new ones—perhaps because of hasty



"For feed grains, the level would be raised from 25 to 30 million tons at which the minimum sale price of 100 percent of parity less the value of the effective price support takes effect. For soybeans, the level at which the minimum sale price of 100 percent of parity takes effect would be raised from 35 to 60 million bushels.

"Increasing these levels as indicated will place a larger quantity of grain under the protection of a relatively high resale price. It would reassure consumers that adequate stocks would be available in case of an emergency, while guaranteeing farmers that the security reserve could not be used to hold down farm prices." And quote.

Here, as in so many previous battles over farm programs, a strategic reserve is supported by every general farm organization save one. It's the old game of odd-man-out.

We lost this fight in the last session when the Purcell bill failed of passage—and along with it we lost an estimated \$300 to \$400 million in extra income that strengthened prices would have brought to farmers. We dare not lose it again this time.

Which brings me to my final point, the "national referendum" on farm programs next November 5.

Without these farm programs we face the one-third drop in net farm income predicted by independent surveys of the Land Grant Colleges, Presidential Commissions and the Congress.

This wouldn't be any short-time shakeout, "separating the men from the boys," as some would have us believe. The capacity for overproduction in the grains is a long-term phenomenon.

I'm sure you're familiar with the study done by the Center for Agricultural and Economic Development at Iowa State University for the Food and Fiber Commission. But let's refresh our memories. This report says that even by 1980, in the absence of programs, wheat would sell for \$1.27 a bushel, with no offsetting certificates, corn at 75 cents a bushel with no diversion payments; soybeans at \$1.23 a bushel.

Gentlemen, there are more than 20 bills before the congress to today that would abolish all or parts of our wheat and feed grain programs. What would the end of his program mean, for example, to a farmer with a 100-acre corn base, with an 80-bushel yield.

At even 85 cents a bushel, 10 cents higher than the price predicted in the study I just mentioned, a farmer's return on that hundred acres would be \$6,800 in the absence of supply-management program.

Under the present program, even in the low-price year of 1967, the average return was \$1.26 a bushel on the entire production, a figure arrived at as follows: The average price was \$1.07 a bushel, plus price support payments of 19 cents. Diverting 20 percent of his 100-acre base, the operator had a 1967 gross return of \$8,048. He also saved about \$650 in production costs on the 20 acres diverted to conserving uses.

Per bushel, the difference is 41 cents—in your billfold or out of it—take your choice.

The Food and Agriculture Act won't stay on the books if we don't fight for it. In 1965 it passed the House by only 49 votes. Today, 53 of the "yea" votes are no longer in the Congress.

Of 435 Representatives in the 90th Congress, only 47 represent districts having 20 percent or more farm population. Fewer than one House district in three has as much as 10 percent farm population.

What this means, is that without strong Presidential leadership, no meaningful commodity legislation can be expected to pass the Congress in the years ahead. It just isn't in the cards. In short, the Presidential election this year is more important to farmers than ever before in our history.

I know that you believe in farm programs. We both know they can be improved, and by working together we can improve them. We have a four year bill for the first time in history. We now have before the Congress the kind of strategic reserve bill we've all wanted, and fought for, over the years.

You have a right and an obligation to find out where the candidates for President and other offices stand on farm programs. Start with the feed grain program now on the books. Find out if it has the candidate's unequivocal support and, if not, how he would improve it.

Let me make one more request. When you return home, please join with the Department and your fellow farmers all over the Nation to assure a sign-up that will make the 1968 feed grain program the most successful of the eight we have launched at this historic series of meetings.

You owe it to yourself and your Nation. Thank you. I'll now try to answer any questions you have.

#### THE 50TH ANNIVERSARY OF ESTONIAN INDEPENDENCE

Mr. PROXMIRE. Mr. President, it is a privilege for me to join Senators in recognizing the 50th anniversary of Estonia's proclamation of independence. This small but proud nation has established a homogenous culture in spite of foreign occupation for some 700 years. Indeed, the Estonians suffered over 250 years of Russian occupation prior to their achievement of independence on February 24, 1918.

Their freedom did not come easily. A 14-month war of independence was necessary to drive both the Germans and Russians off their soil. With the establishment of independence, Estonia prospered as never before with outstanding industrial and agricultural expansion, and a tremendous development of national skills and talents.

Unfortunately, this period of independence lasted for only two decades. Estonia was again caught up in the vortex of history, for with the onslaught of World War II, Estonia was occupied by the Soviet Union. This was followed by German occupation from 1941 to 1944, and then again by Soviet occupation, which has lasted to this day.

Because Estonia is not independent on the 50th anniversary of her proclamation of independence, we cannot consider this to be a day for rejoicing. It is instead, a day of hope—a day in which we take cognizance of and salute an extremely proud, self-reliant people who have maintained a national identity in the face of the most terrible oppression. This then is the significance of February 24—the honoring of a people who maintain a constant, categorical, inner resistance to absorption by an alien culture. Attempts at Russification, attempts at deportation and decimation have been and continue to be of no avail—for the Estonian culture and faith in eventual freedom and independence lives on.

I join Senators in greeting Estonians the world over. May I say that their culture is highly respected by us; indeed through Estonian immigration to the United States we have benefited directly and richly. May I also say that their faith in eventual freedom is shared by us.

Eventual freedom and independence will come to this valiant people, and at that time the anniversary of Estonia's proclamation of independence will truly be a day of happiness.

#### DETERMINATION OF MOUNTAIN WEST TO PREVENT URBAN DECAY

Mr. McGEE. Mr. President, my State does not boast enormous metropolitan areas. The cities in my State have been fortunate in not having experienced the violence and agony and confusion we have witnessed in Watts, Newark, and Detroit. But the people of my State are no less interested than those of the more populous States in President Johnson's recommendations on the cities.

All Americans, in 1968, know that our cities face almost overwhelming problems. Urban areas have grown so rapidly that our ability to insure that cities are livable has barely kept pace. In some cases, it has not kept pace. Overcrowded living conditions, school systems strained to the bursting point, persistent unemployment, poverty—these are the great problems that afflict our cities today. And these are the problems to which President Johnson has given his attention in the message now before the Congress.

Mr. President, those of us from the Mountain West are also determined to prevent urban decay. We know that our cities, as well as our timberland and scenic areas, are a precious national resource. We will have achieved very little in America if our cities become increasingly places of intolerable discomfort, poverty, and hopelessness. I commend President Johnson for the comprehensive package he has given us to consider. I urge the Senate to match his interest and concern with prompt action on his proposals.

#### INVITATION TO DISASTER

Mr. HANSEN. Mr. President, I think it is becoming quite obvious that the President's unfortunate statement of February 12 that summer riots are inevitable has given many thoughtful people, of all political persuasions, great alarm. For the statement was nothing less than an excuse in advance for failure to enforce the law and an invitation to more violence.

Prof. Daniel Moynihan made this point last week, and I placed a report of his remarks in the RECORD for Senators to read. I also felt compelled to speak out, asking that the President and all in executive authority make it clear that violence will not be tolerated.

Mr. President, the Wyoming State Tribune has put the case quite precisely in an editorial published February 20. The Tribune concludes:

What both President Johnson and his attorney general should have said, but markedly did not, was: The laws will be enforced, in the streets, in the cities, in the countryside, in this nation. People who may consider breaches of the peace or of the laws of any kind can expect sure and swift retribution. Massive disorders will be put down to the fullest resources of power and the law



available to the government. Riot at your risk!

This point is vital to any progress we make toward a just and better society. I hope all thoughtful men will emphasize the necessity of maintaining peace and order if we are to fulfill the promises of America.

Mr. President, I ask unanimous consent that the entire editorial be printed in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

[From the Wyoming State Tribune, Feb. 20, 1968]

#### INVITATION TO DISASTER

A week ago yesterday, President Johnson in an informal talk to a group of college students in Washington said more urban riots this summer are inevitable. He said the best would be done with the resources available—apparently meaning federal money—but even at that, another bad summer could not be averted.

If the Administration can just get more money out of Congress, Mr. Johnson suggested, for education, health, model cities and antipoverty programs, perhaps things won't turn out so bad.

"If we can get these we will make a dent in some of the causes of unrest, and give hope to people to the point that they would be inspired and stimulated to hold on rather than throw up their hands and say there is no hope," Johnson said.

As for the months ahead, the President said: "We can't avert it. We will have a bad summer. We will have several bad summers before the deficiencies of centuries are erased."

In the same negative tone of hopelessness, Attorney General Ramsey Clark said Sunday that the Administration does not plan a "get tough" policy with riots. "We can cause riots by fear itself, by over-concern," said the nation's No. 1 law enforcement official.

But we also can cause riots by saying to troublemakers, dissidents, and those who believe in taking the law into their own hands, that their actions are viewed by the highest authorities in this nation as inevitable, and that nothing will be done about it.

That in essence is what both President Johnson and Attorney General Ramsey Clark have told the urban disturbers of the peace; they can now be expected to proceed as indicated.

The remarks of both of these officials—the chief magistrate of this country and one of his ranking subordinates—are nothing more nor less than an open invitation to civil disorder.

What both President Johnson and his attorney general should have said, but markedly did not, was: The laws will be enforced, in the streets, in the cities, in the countryside, in this nation. People who may consider breaches of the peace or of the laws of any kind can expect sure and swift retribution. Massive disorders will be put down to the fullest resources of power and the law available to the government. Riot at your risk!

#### PRESIDENT JOHNSON APPOINTS DISTINGUISHED AMERICANS TO COMMISSION FOR THE OBSERVANCE OF HUMAN RIGHTS YEAR

Mr. PROXMIRE. Mr. President, the Senate's inaction toward the ratification of the Human Rights Conventions on Forced Labor, Freedom of Associa-

tion, Genocide, and Political Rights of Women continues.

However, President Johnson has once again gone on record in support of U.S. ratification of the human rights treaties. Last October the President urged ratification. Just last month in appointing the members of the President's Commission for the Observance of Human Rights Year he again emphasized his continuing support of the principles embodied in these Conventions and for this country's ratification of them.

The year 1968 is Human Rights Year. There could be no more fitting observance of this Human Rights Year than the Senate's ratification of these treaties. The Senate is the only roadblock. President Johnson supports ratification. Ambassador Goldberg has testified in favor of ratification. The State Department is on record in favor of ratification.

Now the President has appointed a distinguished group of Americans to serve on his Commission for Observance of Human Rights Year. These are the names of the Commission members:

Bruno V. Bitker, of Wisconsin.

Tom C. Clark, of Texas.

Anna Roosevelt Halsted, of Michigan, Vice Chairman.

Elinor L. Gordon, of New York.

W. Averell Harriman, of New York, Chairman.

J. Willis Hurst, of Georgia.

George Meany, of Maryland.

Robert B. Meyner, of New Jersey.

A. Philip Randolph, of New York.

#### HOMEOWNERSHIP

Mr. MCINTYRE. Mr. President, I wish to express my complete agreement with the priority that President Johnson has placed on increasing the supply of low- and moderate-income housing. A Nation as wealthy and prosperous as the United States cannot continue to allow 6 million families to live in substandard and dilapidated housing.

We must not only increase the supply of decent housing, but we must also extend the opportunities of home ownership for low- and moderate-income families. In one of our most successful national efforts we have made it possible for millions of middle-income families to buy their own homes through VA and FHA insurance.

Now is the time to extend these benefits to families of lower incomes. For these people owning a home signifies not only a decent place to live with enough space to accommodate their families, but it can mean a new sense of dignity and independence. In a society where we are searching for ways to bring a fairly large group of alienated people back into the mainstream of American life, homeownership offers one answer.

Support for this idea of homeownership is already apparent. I would point out, for example, that 59 of the 63 cities selected for the model cities program proposed some type of homeownership plan for the low-income people living in their target areas. Those at the local level recognize the value of homeownership;

the President's message responds to these expressed needs.

President Johnson has suggested proposals that would allow thousands to attain the American tradition of owning their own homes.

I hope Senators will join me in giving these proposals our immediate attention.

#### THE METRIC SYSTEM OF WEIGHTS AND MEASURES

Mr. PELL. Mr. President, every year the metric system of weights and measures spreads to new users in other parts of the world. Now that Great Britain has decided to make mandatory the use of the metric system by its citizenry, only the United States remains among great nations committed to the antiquated, complicated system we inherited from the British in the 18th century.

Whether to switch has become an increasingly contested question. Advocates suggest that a changeover to metric would increase efficiency in many walks of American life and would improve our export sales picture among nations already on the metric system. Critics of this idea complain that the changeover might cost billions and, in fact, would be so expensive that any advantages would be outweighed. The fact of the matter is that we simply do not know what the specific answers are. For several years I have been pressing for a metric study bill which would inquire into the feasibility of making a change. Only when such a study is undertaken, can this country know whether a change will make sense or not.

In the last Congress the metric study bill I introduced was passed by the Senate and the House Committee on Science and Astronautics, under the skillful guidance of its chairman, Congressman MILLER of California. In this Congress the able Senator GRIFFIN of Michigan has also introduced a bill to provide a feasibility study which is currently under consideration before the Senate Commerce Committee. In the House, Chairman MILLER has again guided a similar bill through the Science and Astronautics Committee, but to date this bill has not been accorded a rule.

It seems clear to me that this country should take the necessary steps in order to be able to make an intelligent decision on this question. Strong public statements by all interested and knowledgeable on this subject will doubtless help to bring the Congress to eventual legislative action. The Metric Association held a meeting last December to provide a forum for such pronouncements.

Mr. President, I think that the address by Assistant Secretary of Commerce for Science and Technology, John F. Kincaid, could be a bellweather expression which can lead us to move ahead. I ask unanimous consent that his excellent and eloquent address entitled "International Standards and the Metric System: A Time for Decision" be included in the RECORD.

There being no objection, the address was ordered to be printed in the RECORD, as follows:



our agricultural exports to the Common Market, trade barriers were lowered on only \$200 million, some 13%. At the same time, out of a total of \$3.7 billion of all our industrial exports to the Common Market, we negotiated a lowering of trade barriers on items comprising \$2.4 billion, or 65%.

Since 1960, our wheat exports to Western Europe have fallen off one and a half million tons a year. USDA's forecast for 1970 shows a decline in grain imports for Western Europe, but an increase for Japan. At the same time, if we are to minimize our share of the decline and maximize our share of the increase, we must be price competitive with other surplus producing countries. Bargaining power for farmers which results in prices deemed "fair and reasonable" in our economy could, at the same time, result in non-competitive prices for export. Unless this bargaining power excepted commodities for export, or unless the taxpayers were willing to subsidize these exports, we could lose our large commodity export surplus—if not our export trade altogether. I would not foreclose the possibility of subsidizing agricultural exports—especially if there is a reciprocal lowering of the cost of farm programs; and I said just a year ago in a speech before the Grain and Feed Dealers convention in New York that if inflation isn't stopped so that our commodities can remain competitive in world markets, we would be forced to subsidize our exports.

The other side of the trade picture—imports—is an equally important policy matter. It is obvious, of course, that foreign trade cannot be a one-way street. And it is generally agreed, I believe, that a genuinely reciprocal lowering of trade barriers will stimulate an increase in foreign trade to the benefit of all concerned. But adherence to these principles must not be permitted to blind us to inequities of foreign competition. There is much more to so-called "free trade" than the reciprocal lowering of tariffs, with which the Kennedy Round was concerned. As our Joint Economic Committee pointed out in its recent report, entitled "The Future of U.S. Foreign Trade Policy":

"Not infrequently . . . non-tariff barriers deny to the individual countries and the world the gains and efficiencies of free trade more effectively and more insidiously than the visible tariff obstructions themselves. . . . The European Common Market practice of rebating their own indirect taxes on their exports and levying these same taxes on imports . . . constitutes a conspicuous form of discrimination against U.S. exports. Moreover, similar border adjustments by the United States would be an ineffective weapon neither mitigating nor offsetting the discriminatory process, because the tax structure of the United States places relatively small emphasis on indirect taxes. This issue is one that the United States will have to resolve. . . . Unfortunately, Congress and the executive branch presently do not have dependable statistical information on the significance and weights to be assigned to various nontariff obstructions which experts of the various countries have devised."

One way to resolve this issue (at least until the requisite statistical data are available and until reciprocal lowering or elimination of nontariff barriers is achieved) is to establish a system of reasonable import quotas—based on a historical base period percentage of our domestic market—which would allow foreign countries, and particularly those imposing nontariff obstructions against our exports, to share (rather than take over) the market provided by our increased domestic consumption. If this is not done, bargaining power of farmers will be weakened if not destroyed by excessive imports. And if there is any doubt about it, those engaged in cotton, dairy, and livestock production will be pleased to demonstrate what excessive imports in recent years have been doing to their prices.

If it is suggested that a national farmer bargaining law should prevent members of purchaser groups from buying imported commodities as a means of preventing cheaper imports from undercutting "fair and reasonable" prices negotiated by farmers' bargaining groups, I would have to advise that such a measure would not pass the Congress. It would, in effect, be a throwback to the old Smoot-Hawley days when the Congress sought to insulate the United States behind a wall of confiscatory tariffs, with truly disastrous results. And it would be contrary to national policy reflected in the Trade Expansion Act of 1962. The best, and fairest, that can be hoped for is the nontariff quota approach guaranteeing reasonable access of imports to our markets—the same approach, by the way, taken by our own negotiators during the Kennedy Round in seeking a guaranteed access for our grains to the Common Market.

Not to be overlooked in all of this are treaty commitments of the United States. These are the law of the land—regardless of what a collective bargaining agreement may be. Now pending in the Senate for proposed ratification is the International Grains Arrangement negotiated in 1967. This arrangement consists of the Food Aid Convention and the Wheat Trade Convention. The Wheat Trade Convention establishes a minimum and maximum price range for wheat moving in international trade, with a 40¢ per bushel price spread. These prices are approximately 23¢ above the price range provided under the old International Wheat Agreement, and the minimum level would likely be above world market prices at the time the convention went into effect. If the convention is ratified, it can be expected to encourage increased production on the part of some exporting countries not producing as efficiently as the United States, and it would be necessary to adjust "fair and reasonable" prices negotiated by farmers' producing groups, insofar as export wheat is concerned, to maintain our competitive position, or to establish a program of export subsidies to which I have previously referred.

The "fair and reasonable" prices for agricultural commodities, which should be the objective of bargaining power for farmers, naturally must take into account the costs of production. The cost-price squeeze on farmers' net income, which has stimulated concern over bargaining power for farmers, is a combination of low parity prices and ever-increasing costs of production.

Using 1958 as a base year with an index of 100, prices paid by farmers in 1967 had risen to a weighted index of 117; whereas prices received by farmers had risen to a weighted index of only 104. From the 1958 index of 100, interest was up to 259, taxes were up to 178, labor costs were up to 146, and farm machinery was up to 130. 1967 farm production costs were up \$1.2 billion over the previous year.

Prices of some agricultural commodities are higher today than they were several years ago, but they are lower in real dollar purchasing power—after inflation is taken out; and they are lower in relation to prices of things the farmer has to buy, which is why parity today is at the level of the Great Depression of the 1930's. It is true that net farm income shows a cumulative increase of \$8 billion for the last seven years. It is also true that net farm debt shows a cumulative increase of \$20 billion for the same period. It is true that net income per farm last year was 55 percent higher than in 1960. It is also true that net debt per farm last year was 110 percent higher than in 1960. During 1966 net income per farm increased nearly \$400 over 1965, but net debt per farm was up over \$1,200 over 1965. During 1967, net farm income dropped almost \$2 billion, down \$283 per farm, and net debt per farm increased another \$1,500. If the record of the past seven years is continued, the only way farm-

ers as a class will be able to pay off their debt will be to liquidate.

One of the reasons for this critical situation is the fiscal policy of the federal government. By "fiscal" we mean spending and taxes, and when the fiscal policy of those in control of your federal government is to run the government billions of dollars deeper into debt, year after year, there will be inflation. The purchasing power of our dollar has gone down from 47¢ seven years ago to 40¢ today. The only way a lender can protect himself against the prospect of being repaid in cheaper dollars is to charge more interest. And when the federal government has to cover its deficits by borrowing money or selling its bonds, this provides more competition for money in the private money market. This is why interest rates today are the highest since the Civil War.

The point to be made is that "fair and reasonable" prices established by farmers' bargaining power can be undercut by federal fiscal policy. A price that is "fair and reasonable" for a farmer who does not have to borrow money to operate might not be "fair and reasonable" for the farmer who has to operate on borrowed capital bearing 7-8% interest. Increased costs of production spurred on by inflation could seriously impair a "fair and reasonable" price negotiated before the increases could be foreseen or computed. Inflation compounded by speculation has boosted up the cost of farm land to almost prohibitive levels, but I doubt that this factor could be taken into account in bargaining for "fair and reasonable" prices for commodities.

Somewhat related is the amount of money appropriated by the federal government for farm programs. To what extent would federal payments to farmers be taken into account in setting a "fair and reasonable" price for commodities; and would there be a different price for farmers who are in a program and receive payments and farmers who are not in a program and do not receive payments?

I am not, by any means, attempting to disparage the idea of bargaining power for farmers. What I have attempted to do, instead, is to make clear that in devising a mechanism to establish this power, we must not only take into account the fiscal and foreign trade policies of our federal government; we must demand that these policies be made harmonious with the goal of "fair and reasonable" prices for food and fibre. I deeply regret to say that for far too long they have not been harmonious. It will take political action to change them, and an enlightened public opinion, recognizing that the future of our most basic industry is threatened, will do it.

#### THE CRISIS OF THE CITIES

Mr. PELL. Mr. President, President Johnson's message "Crisis of the Cities" is a landmark document. It details with compassion and realism the enormous problems our cities face. And it proposes realistic solutions. One of the key phrases of the message, in my opinion, is the President's closing warning that "no one can doubt the costs of talk and little action."

We have heard it said consistently since the urban summer riots of the last few years that our cities were wracked with problems. Some attempts have been made to solve those problems—I am thinking of the Economic Opportunity Act of 1964 which has helped some 6 million people out of poverty. But we have far from discharged our obligations to urban revitalization, and it is inexcusably dilatory to act too slowly on remedial



efforts. With the problem so obvious, we cannot blame the poor for loss of patience if we engage in talk and little action.

The proposals contained in the President's message both capitalize on the success of existing programs and urge new and exciting efforts to renew our cities and the lives of those who live in them. As the President has said:

If the promise of the American city is to be recaptured—if our cities are to be saved from the blight of obsolescence and despair—we must now firmly set the course that America will travel.

Truly, as the President stressed, "there is no time to lose." I know the Senate will act speedily to consider this remarkable message.

#### VIETNAM

Mr. HATFIELD. Mr. President, from time to time I read or I hear from one source or another that the critics of American policy in Vietnam represent many different parts of the American political and social scene. I believe this to be true. One of these critics, Hamilton Fish of New York, a former Congressman and former chairman of the first congressional Committee To Investigate Communist Activities in 1930-31, wrote to me recently about a letter which he sent to the New York Times to oppose the war.

Mr. Fish currently serves as president general of the Order of Lafayette, a national patriotic organization which has bestowed anticommunism awards on such illustrious Americans as Dwight D. Eisenhower, Douglas MacArthur, Herbert Hoover, Barry Goldwater, Francis Cardinal Spellman, Lucius Clay, and Curtis LeMay. My friend, Mr. Fish, states that he believes our involvement in Vietnam is "the wrong war, in the wrong place, at the wrong time." I agree with him and I commend him for his statement. I ask unanimous consent, Mr. President, to permit Mr. Fish's letter to be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

[From the New York Times, Feb. 12, 1968]

#### WAR OPPOSED

To the Editor:

I admit utter confusion over the position of the Johnson Administration in South Vietnam. While President Johnson encourages trade and the creation of consulates with the Communists, he continues to send young Americans to defend Southeast Asia against Communism.

It is beginning to appear more and more that the original understanding of the Tonkin incident in 1964 was not correct. Senator Fulbright, chairman of the Foreign Relations Committee, who steered the Gulf of Tonkin Resolution through, now claims that our ships had been spying on North Vietnam and had even violated the territorial waters of that country. The information regarding the Tonkin incident was apparently not only incorrect but was manipulated to secure the authorization from Congress for President Johnson to take whatever military action he deemed necessary.

#### FOR NEGOTIATED PEACE

The Republicans in Congress are right in supporting our armed forces once they are engaged in battle and for refusal to withdraw until a just and honorable peace has been

negotiated. However, the Republican leadership in Congress errs in not making it perfectly plain that this was not Eisenhower's or Kennedy's war, but is and has been Johnson's war, and for not pressing harder for a negotiated peace. President Kennedy said, "Let us never negotiate out of fear, but let us never fear to negotiate."

It is my opinion that any of the Republican candidates mentioned will defeat President Johnson, if the war is still going on, by merely copying what President Eisenhower did in the Korean war: promising to end it immediately after he became President.

As a long-time anti-Communist leader, I am convinced that our involvement in Vietnam was unnecessary, illegal and unconstitutional, and the wrong war, in the wrong place, at the wrong time.

Soviet Russia and Communist China, two dominating forces, want to keep our armed forces bogged down while Communism reaps the harvest of hatred as a result of their massive propaganda depicting our killing and napalming women and children. But, even more than that, Soviet Russia is quietly seizing economic and military control and rapidly increasing influence throughout the Middle East and along the coast of the Red Sea, free from interference from the United States, trapped in Vietnam.

HAMILTON FISH,

Chairman of the First Congressional Committee To Investigate Communist Activities, 1930-31.

NEW YORK, February 1, 1968.

#### THE MEXICAN AMERICAN—SIGNIFICANT STEPS TOWARD PROGRESS

Mr. MONTONA. Mr. President, last summer President Johnson appointed a special Cabinet committee which would dedicate itself solely to the improvement of opportunity for the Spanish-speaking citizen of this country.

In October, in El Paso, the Mexican American Affairs Committee sponsored what must be described as one of the most successful people-to-people forums in history. Thousands of Mexican Americans met and discussed their problems face to face with a series of the President's Cabinet officers.

The results of these initiatives are today evident in President Johnson's statement. Decisions have been made, and the actions have been taken which will be directly beneficial to the Mexican-American community.

I need only mention the Bilingual Education Act which will help Spanish-speaking children obtain the full benefits of education. The President signed that excellent measure, and the Congress has allocated some millions of dollars for its implementation in the next few years.

The Johnson administration has moved swiftly forward in the area of job opportunity—for the Mexican American and for all those who have been left behind in the march of American prosperity.

New Government specialists are being trained with expertise in the Spanish language so as to serve as closer links between Government and the Mexican-American community.

The President has directed that all Government programs be analyzed to make certain that Mexican-Americans and other Spanish-speaking minorities obtain their full rights as citizens.

A number of American cities selected as model cities contain large concentrations of Spanish-speaking residents who will benefit from the coordinated model cities approach to education, health, crime prevention, job opportunity, and improved housing.

The new focus on opportunity which Lyndon Johnson directed for the Spanish-speaking American less than a year ago has begun to bear fruit.

A new attitude exists in Government toward the Mexican-American.

Private enterprise and government are now joining forces to help the Mexican-American help himself.

The President's statement is another indication of the progress we have so far made, and of the progress we must necessarily make. I ask unanimous consent that the statement be printed in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

PROGRAMS FOR SPANISH-SPEAKING AMERICANS  
(Statement by the President on actions taken based on recommendations of the Cabinet Committee on Mexican-American affairs, February 23, 1968)

Last October, in El Paso, I attended a conference of high purpose. There, with the Vice President and members of the Cabinet, I met with 1,200 Spanish-speaking Americans.

This was the first time that the Mexican-American community had an opportunity to discuss matters of direct concern—ranging from education to economic opportunity, housing to health—with the highest officials of government.

The aim of the 3-day conference was to assure that America's second largest minority was receiving its fair and just share of Federal programs in these areas.

Out of that conference, ideas and suggestions flowed to a Cabinet-level committee on Mexican-American Affairs, which I appointed last June.

Based on the recommendations of the committee—many of which stemmed from the El Paso conference—I have taken the following actions:

#### In education:

I have signed into law the first Federal bilingual education program. It will help Spanish-speaking children overcome the barriers of language which have prevented them from receiving the fullest benefits of education.

I have asked Congress to provide funds to expand and improve adult and vocational educational programs aimed particularly at those Americans who have no high school diplomas. About 20 percent of these are Spanish-speaking.

I have instructed the Secretary of Health, Education, and Welfare to:

Accelerate the training of specially-trained teachers to work with Mexican-American school children and migrant workers.

Insure compliance with Title VI of the 1964 Civil Rights Act. This forbids discrimination in school-district boundaries and in quality of education, wherever the schools receive Federal financial assistance.

#### In health and welfare:

I have requested the Secretary of Health, Education, and Welfare to:

Simplify application and claim procedures in Medicare, Social Security and other programs serving the Mexican-American communities.

Gather and analyze data on the health of Spanish-speaking Americans.

I have asked the Congress to increase its support of special medical programs for



but they steadfastly clung to their national goal: the attainment of national independence.

They had to await long before the realization of that goal. Finally, 50 years ago, on February 24, 1918, they proclaimed their independence and founded the Estonian Republic.

Then for about two decades, during the interwar years, they enjoyed their richly deserved and hard-won freedom. But this happy interlude was abruptly broken early in the last war. Russia again—not the czars this time, but Communist Russia—was the villain. The men in the Kremlin decided to put an end to an independent and free Estonia. The Red army invaded and overwhelmed Estonia in mid-1940; the Estonian people lost their freedom and were enslaved by their heartless conquerors.

Since the incorporation of Estonia into the Soviet Union, these freedom-loving people have not known freedom in their homeland. They still suffer Communist totalitarian tyranny. There cannot be any talk of observing their independence day there, but we here in this great Republic join hands with all Americans of Estonian heritage, solemnly observe the 50th anniversary of Estonian Independence Day, and echo their genuine patriotic sentiment for freedom and independence.

### Rent Supplement Program Deserves Continued Support of Congress

#### HON. BOB CASEY

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Monday, February 26, 1968

Mr. CASEY. Mr. Speaker, in the past year and a half, we have seen a new partnership develop between private enterprise and the Federal Government in working to meet the great housing need among low-income families.

This partnership was created through the rent supplement program, and has proved that cooperation between the private and public sectors can result in substantial progress in meeting the low-income housing demand.

Since the first allocation by Congress for the rent supplement program in 1966, some 554 projects with more than 42,000 units have been provided to low-income families.

The \$65 million requested by the President for the program for fiscal year 1969 will make another 72,500 housing units available for the poor. These are families with incomes eligible for public housing in the area, the elderly, the handicapped, the widowed—the disadvantaged families whose misfortune is compounded and intensified by slum living.

Rent supplements provide an incentive to these families because it does not force them to move back to the slums when their incomes exceed public housing limits. Instead, the supplement is eliminated and the family pays the economic rent itself while continuing in their home.

Thousands of unfortunate Americans face the daily problems of deplorable

housing conditions. They are denied the basic amenities of privacy and decency. By approving the President's request we will be moving toward the goal of sound homes for all Americans.

A partnership such as the rent supplement program must be continued and expanded for the health and welfare of our people.

When we have the opportunity to vote on appropriations for this program, I hope my fellow Members will not hesitate to authorize the full \$65 million asked for by the administration.

### Support for President Johnson's Program To Meet the Threat to Our Cities

#### HON. EMANUEL CELLER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Monday, February 26, 1968

Mr. CELLER. Mr. Speaker, we are at a time in our history when, as a nation, we must make a firm decision on the future of our cities. To do nothing is to insure a tragedy that will dwarf anything we have experienced in the past. To temporize now, to delay, to fail to act positively on the recommendations of the President can only exacerbate the critical problems that threaten the existence of our major cities. I am not the purveyor of a doomsday message, but one has only to look about him, to read the newspapers or watch television, to know with unshakable certainty that our cities are sick with an illness that will not be cured by anything less than a massive effort to save them. Without this effort on the part of the National Government, our cities will rot like apples fallen to the ground and left ungathered.

A blight has settled over the tall spires that form the skylines of our cities and it is seeping into every pore of the cities' bodies. Physically, morally, and spiritually, our cities have become tarnished. The bright beacons that once attracted commerce and people have been permitted to grow dim as the cities staggered from decade to decade under the weight of mounting problems.

The tide is running against the cities, and it must be reversed if we are to save them. Should our urban areas be strangled by the welter of problems that now confront them, and will confront them in the future, we will be guilty of complicity in the destruction of one of our most valuable resources—our great cities. We should not waste precious time in debate on rural interests as opposed to urban interests. What we are concerned with here is a common interest. It is important that our cities, with all their attributes, with all that they contribute to our Nation, receive the aid they need so urgently. To have our cities fall into further decay is unthinkable. The recommendations made by the President address themselves to critical problems and offer workable solutions. I urge that they be adopted as a step in the right direction.

The vision of urban renewal is one of a new city, free of pollution and congestion, slum housing and blighted business

districts. But the vision is also one of a free and happy people. To this end, we must see that the President's antipoverty proposals are not forgotten.

The President, in his housing message today, has asked the Congress for the full \$2.18 billion appropriation for the Office of Economic Opportunity in fiscal year 1969.

This is the human side of the urban renewal we seek and the President's request should be granted in full.

### Personal Explanation

#### HON. L. H. FOUNTAIN

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Monday, February 26, 1968

Mr. FOUNTAIN. Mr. Speaker, while serving as one of the two official delegates from the Congress of the United States to the 22d session of the General Assembly of the United Nations during the period of September 16 to December 20, 1967, I was naturally not able to answer all rollcalls in the House. During this period, however, I secured pairs whenever possible.

On those bills when pairs were not possible, I wish to state that had I been personally present I would have voted as hereinafter indicated on the following bills:

House Joint Resolution 888, continuing appropriations: On the motion to adopt the section which required a \$9 billion reduction in budget fiscal 1968 obligations for the executive branch, December 11, I would have voted "yea."

House Joint Resolution 936, bill making continuing appropriations for Federal agencies and programs not yet covered in regular fiscal year 1968 appropriations bills: On passage of the bill, November 28, I would have voted "yea."

H.R. 13706, farm loan interest rates. On the Patman motion to recommit the bill with instructions to limit its provisions to a 2-year period, November 29, I would have voted "nay."

H.R. 4765, establishes special rules for the income tax treatment of distribution by companies which become bank holding companies under Public Law 89-485.

On adoption of the conference report on the bill to allow a favorable tax adjustment for shareholders of Financial General Corp., and to provide \$22 million in tax rebates for American Motors Corp., December 12, I would have voted "nay" because of dangers to the regular legislative process.

S. 1003, authorizes the Secretary of Commerce to issue standards on the flammability of fabrics used in clothing or interior furnishings. On passage of the bill, November 27, I would have voted "yea."

H.R. 12603, authorizes the Secretary of the Interior to make agreements and leases with a private company for a National Visitors Center in Washington, D.C. On passage of the bill, November 27, I would have voted "yea."

S. 2171, Subversive Activities Control Act amendments. On adoption of the



conference report, December 13, I would have voted "yea."

H.R. 12080, Social Security Amendments for 1967. On adoption of the conference report, December 13, I would have voted "yea."

H.R. 10595, bill restricting the role of federally insured banks and thrift institutions in a state lottery. On adoption of the conference report, December 12, I would have voted "yea."

H.R. 7977, Postal rate and Federal pay increase bill. On the motion to accept conference version of the bill, December 11, I would have voted "yea."

H.R. 12144, Federal Meat Inspection Act. On adoption of conference report, December 6, I would have voted "yea."

### Meeds Commends Senior Citizens of Four Freedoms House

#### HON. LLOYD MEEDS

OF WASHINGTON

IN THE HOUSE OF REPRESENTATIVES

Monday, February 26, 1968

Mr. MEEDS. Mr. Speaker, the Four Freedoms House of Seattle, sponsored by four major international trade unions to provide comfort and convenience to the elderly in the Seattle area, is setting an example of involvement for all the elderly in the United States. Four Freedoms is not only a living group, they are a force for good throughout the community.

They are involved in many projects, one of the biggest of which is their Pat Smith Hospital project. They take great pride in their project which they have been involved in for nearly a year, as the following excerpts from their February newsletter explains:

#### THE PAT SMITH HOSPITAL PROJECT: KONTUM HOSPITAL FUND

It is with pride we inform those of you who may be relatively new residents, of a project not yet one year in existence here at the Four Freedoms, which has captivated the hands as well as the hearts of many of us who are determined not "to be dead before we die", and we consider it a privilege to devote two hours or more, weekly, of our time in preparing and rolling bandages made from old sheets for Seattle's own Dr. Pat Smith who has already given *eight years* of her life and talents to the primitive and disease-ridden Montagnards of Kontum, South Vietnam, bringing them medical care and comfort.

Dr. Patricia Smith was born and raised in the Ballard district and was graduated from Seattle University in 1948. She received her M.D. from the University of Washington School of Medicine in 1955. After internship at Cincinnati General Hospital she worked for two and one half years at one of the Miner's Memorial Hospitals in McDowell, Kentucky, deep in the coal mining area of Appalachia. Having heard of the even more pressing needs for medical care in the underdeveloped countries, she volunteered for service overseas and was asked to go to Kontum in 1959. Since then Dr. Pat has succeeded in expanding a leprosarium outside of Kontum. It was the only thing which even offered anything resembling a medical facility and this she expanded to village clinics. In 1960 a small dispensary was opened in Kontum and in 1963 a hospital with forty beds was added. This latter addition was made possible thru the German Bishops Relief Fund, various other relief organizations

and drug companies. Two nurses from Milwaukee, Wisconsin had also, by this time, arrived to assist her and as Dr. Pat had succeeded during the months of the hospital construction in establishing a rapport with the Montagnards, she found herself "in business."

Descendants of the aborigines of Vietnam, the Montagnards even today live at the lowest level of human existence and suffer from some of the worst diseases known to man. The leprosy rate alone is one of the highest in the world—as many as 10% in some areas are afflicted with the disease and tuberculosis runs a close second. Ignorance, superstition and malnutrition too, exist in fantastically high rates, so the problem of treating these people is an immense one.

Dr. Pat's Minh-Quy Hospital is located about 4 Km from the provincial capitol of Kontum, in the highlands near the Laotian border where the chief emphasis of the hospital has always been to care for the needs of the Montagnard tribespeople, the very poor amongst the Vietnamese population of Kontum are also admitted for care, the only criticism for help being real medical and financial need. No charge of any kind is made for either in-patient or out-patient service, medicine or food, altho the patients are asked when possible, to bring their own food with them. Many of the patients' entire families accompany them and have come from as far away as 75 miles to be treated by "The Big One" as she is referred to by the small statured Montagnards. The family makes itself "at home" outside of the hospital doors and remains until the patient is discharged.

Since our first working session of Dr. Pat's helpers on April 12, 1967, we have turned in the following supplies to the Kontum Hospital Fund Center at 824 Broadway, Seattle, Wash.

135 hospital gowns—converted from used shirts; 117 bundles of rolled bandages—or approx. 10,000 bandages torn from used sheets; 47 knitted bandages; 349 surgical drapes; 13 Ace bandages—donated; 22 cartons misc. & supplies from N.W. Hospital; 90 instrument wraps; 17 sweaters—donated; 4 bags—soap—donated; 39 towels & wash cloths—donated; 4 blankets—donated; 91 misc. items, i.e., underwear, suit, coat, dresses, socks, etc.

Mr. Speaker, as the foregoing explains, this Four Freedoms project has been a big help to Dr. Smith in Vietnam. Members of the Four Freedoms House have heard repeatedly that their supplies are anticipated with pleasure by the patients at Kontum.

I commend the work and energy of these fine citizens of Seattle who are donating so much of themselves to the betterment of their fellow man. Four Freedoms was originally organized to provide freedom from want and fear and to insure the freedoms of speech and worship for its members. It has become in addition a major source of good will in the Seattle area, parceling out much more to the world than it is getting.

It is an excellent example of what influence our most experienced citizens can have on their community.

### The Mail Doesn't Go Through

#### HON. CHESTER L. MIZE

OF KANSAS

IN THE HOUSE OF REPRESENTATIVES

Monday, February 26, 1968

Mr. MIZE. Mr. Speaker, there is great concern among my constituents these

days over the deterioration of mail service. An editorial in the February 18 issue of the Topeka Capital-Journal, "The Mail Doesn't Go Through," gives voice to the frustration of these people when they experience delays and mistakes in mail handling. Under leave to extend my remarks, I bring this editorial to the attention of my colleagues, as follows:

#### THE MAIL DOESN'T GO THROUGH

Mail service is getting worse, not better, since postage rates went up a few weeks ago.

Business people and householders are griping. Frequently when several get together they exchange stories of how long it takes to get mail these days.

In a recent gathering, a Topeka woman whose daughter lives in Emporia, said she received a letter Feb. 14 which had been mailed to her Feb. 7. It was a week on its way—about 60 miles.

A man told about getting two airmail letters, one from Chicago, the other from New York, both posted Feb. 14. They were delivered Feb. 16. Flights from both cities require only hours.

Many complaints are about late delivery of magazines. Some mail patrons say weekly magazines which used to be delivered Tuesday now arrive Thursday, sometimes Friday.

Mistakes in delivery seem to be more frequent lately. One of the worst examples related during a gripe session concern a sailor home on leave and with orders to report on a certain date to San Diego. The day before he was to leave, a neighbor two doors away handed him a letter which had been put in his mailbox while he was away over a weekend. It was a change of orders, directing the sailor to report next day to a different ship at Long Beach.

Kansans living in smaller towns than Topeka say mail delivery is becoming more erratic with discontinuance of mail cars and trains to their areas.

Take Leoti, in Western Kansas, as an example. It had twice-a-day mail from the Colorado Eagle, but that train quit running in 1966. Now mail takes at least a day longer and may suffer even longer delays in the complex air and truck connections between Kansas City and Pueblo.

Patrons realize the post office is being flooded with mail these days, but this is not their personal concern. What they want is the service they used to have and to which they think they are entitled—especially since postage rates went up.

### Two Big Days Due in March for Labor's Pat O'Malley

#### HON. CHARLES A. VANIK

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Monday, February 26, 1968

Mr. VANIK. Mr. Speaker, on March 30, dignitaries from all over the country will converge on Cleveland to honor a great labor leader, a great human being—Mr. Patrick J. O'Malley, who will retire as the regional director of the United Auto Workers for the past 19 years.

On the wall behind Pat O'Malley's desk in the UAW office in Cleveland, he proudly displays a picture of the Honorable JOHN W. MCCORMACK inscribed with these words: "You are a great labor leader and a great American."

Pat O'Malley's career has been varied and he has been involved in every important fight for the laboring man's



We at Chrysler think this is a productive way to combine the practical expertise of private industry, the professional talents of the educator, and the support of government so as to help people improve themselves and in turn improve their community.

Early this month we announced a new joint training program with the federal government that is larger than any previous program of this kind that we have undertaken.

Too often in the past, education has been designed to prepare young people for college. We are beginning to learn that education of this kind fails to meet the needs of great masses of our people. As a result, it leaves many of them outside our society, unemployed and discouraged.

We are only beginning to understand how to cultivate all our human resources through education. As yet we haven't learned how to allocate either our educational funds or our teaching talents to get a balanced social result. Here, as in many other phases of our complex urban civilization, we are groping for answers.

Feeling as I do about the University of Michigan, I hope that it will provide some breakthrough solutions in the field of education, as it has in so many other fields over the years.

I would also hope that in all our efforts to provide a balance of educational opportunity to meet the needs of all the people in our society we will keep in mind the desirability of creating new centers of excellence like Ann Arbor.

In a democratic society there always exists the tendency to level off standards of education and culture—and the related tendency to underemphasize the virtue of distinguished achievement.

It would be unfortunate if our present nationwide effort to broaden educational opportunity should have this effect.

To put it another way, as we work at the never-ending task of improving our educational system, maybe we should try to make it a source of distinguished leadership and a seedbed of culture and inspiration for a world that stands in need of both.

### Model Cities

## HON. JOSHUA EILBERG

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Monday, February 26, 1968

Mr. EILBERG. Mr. Speaker, today we have one of the most historic of all Presidential messages—President Johnson's message on the cities. To me one of its most significant aspects is the request for \$1 billion for model cities.

I intend to support this request because it is clear to me that we have here one of the basic answers to a problem that has been plaguing us for more than 100 years—our city's slums. We have analyzed the problem, we have decried it, we have nibbled at it—but we have never come close to solving it.

Why not? Because each time we approached the problems of our cities, we either did not realize their depth or else we moved away from their full implications. Gentlemen—the crisis of our cities is the domestic crisis of our generation. The model cities program is an effort by this country to coordinate and direct

the resources necessary to begin to meet this crisis.

Last November the first 63 cities—both large and small—were selected to participate in the first round of model cities planning. The President in his message now asks us to give this program the resources it needs to enable these 63 and more to be selected later this year to begin a proper assault on the problems that plague them.

Will the funds be there? It all depends on this Congress. I hope you will join me with your support of the model cities program.

### The Lost M14 Rifle

## HON. HENRY C. SCHADEBERG

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Monday, February 26, 1968

Mr. SCHADEBERG. Mr. Speaker, a recent story of a young veteran of the Vietnamese war, Mr. Ernest Wagner of Racine, Wis., who has been billed by the Army for a rifle lost in combat has created quite a stir in my district and throughout the United States. My office has received several hundred letters backing my stand that the proposed charge is frivolous and a blunder on the part of the Army.

Perhaps the best of the stories to emerge from the Army's attempt to collect from the decorated veteran really puts the incident in its proper perspective. John Keasler of the Miami News on Wednesday, February 14, 1968, titled his article "So You Lost Your M14 Rifle, Eh?" I ask that it be printed at this point in the RECORD so that all may enjoy Mr. Keasler's excellent sense of humor.

The article follows:

SO YOU LOST YOUR M14 RIFLE, EH?

(By John Keasler)

"WASHINGTON, AP—The Army was reported to be trying to collect \$70.21 from a veteran of the Vietnam war because he lost his M14 rifle in combat."

The news story went on to say that Rep. Henry C. Schadeberg (R-Wis.) is infuriated about this; says if the Army collects from the soldier it should collect \$30 million from Secretary McNamara for loss of the Pueblo.

The claim was made against Ernest J. Wagner of Racine, Wis., who was with the 25th Combat Infantry in Vietnam. He said his rifle fell out of a helicopter during a combat mission.

Legal action is threatened by the Army within 30 days if the ex-GI doesn't pay for the rifle—I imagine the collection letters will follow the usual procedure.

DEAR FRIEND OF THE U.S. ARMY (First notice): Please disregard this notice if you have already mailed your check! This is merely a regular monthly reminder and we wouldn't even have sent it to you, because we cherish your patronage, but our computer insists on it. We hopefully await your continued trade, and should like to take this opportunity to wish you a Happy New Year, or a Joyous Independence Day, whichever may be closer.

Yours in friendship,

U.S. ARMY.

DEAR FRIEND (Second Notice): Could it be that in these pressure-ridden times your account of \$70.21 has been overlooked? We understand how that can happen, ha ha. However, enclosed find our Handi-Grip, Reddi-Lick, Selfy-Dressy envelope. Simply enclose your check and drop it in your nearest "Mailbox." Easy, eh? We strive to please.

YOUR FRIENDLY U.S. ARMY.

DEAR SIR (Third Notice): We regret to state your account in the amount of \$70.21 due for M14 Rifle is overdue on your Flexible household account. Please remit.

U.S. ARMY.

DEAR SIR (Fourth Notice): We acted in good faith in allowing you to take your M14 Rifle and we expect you to act in good faith by living up to the terms of your contract. Failure to do so can reflect on your rating. Just remember—you may want another M14 rifle sometime.

U.S. ARMY.

Telegram. Fifth Notice): Unless your account is paid in full by ten o'clock yesterday morning, legal action will be taken against you.

CREDIT MANAGER,

U.S. Army.

HALF NELSON, THROTTLE & GLUE,

COLLECTORS AT LARGE,

LEGIRON BUILDING.

NOW LOOK, FELLA (Sixth notice): We know how it is, old buddy! Everybody gets up against it from time to time. If you can't pay the entire \$70.21 for your M14 rifle just do the best you can. Send along a little now, a little later. Say \$70 now and \$.21 tomorrow. There's a swell fellow!

We're your friends. We don't resort to a lot of crude methods, as some do. You can park your M14 Rifle anywhere in the neighborhood secure in the peace of mind we won't drive it off in the dead of night, or sell it at public auction, or publicly disgrace you, or anything like that.

Just do it today, huh? Without a lot more stalling? You dig?

CHUCKLES HALF NELSON,

Collectors at Large.

SMART-ALEX DEADBEAT (Seventh Notice): Don't try to beat around the bush with us, kiddo. We've heard 'em all! That story about dropping your rifle out of a helicopter cuts no ice with us—you should have thought of that before you took your rifle up in the stupid helicopter.

Don't give us a hard time, Buster. Send the cash and now. That's what our client hired us for. We get any more trouble out of you, debtor's prison will look like two weeks on the Riviera to you.

Furthermore, we'll blacklist you in every Army Navy Surplus Store from coast to coast. If we don't hear from you by Saturday, you can expect me to pound on your door bright and early Monday morning!

CHUCKLES HALF NELSON,

President, Collectors at Large.

DEAR MR. ERNEST J. WAGNER: Uh, about that rifle. This file has been brought to our attention by a certain congressman and we are happy to report this account is closed. It was probably an oversight in the computer. Mr. Halfnelson will send you no more threatening letters, after eating the other two.

Enclosed is your shiny new chargin' plate and please feel free to call on us anytime you need an M14 rifle. Mr. McNamara sends his regards. Will you please quit mentioning the Pueblo? You know how hard it is to keep track of things in a war.

DEPARTMENT OF DEFENSE.



## Russia: Power Play on the Oceans

## HON. JAMES A. BURKE

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Monday, February 26, 1968

Mr. BURKE of Massachusetts. Mr. Speaker, I would like to bring to the attention of the Members the attached article from Time magazine of February 23, 1968, concerning the development of the Russian fleet. I think it would be well for each Member to read this article so that they will become more aware of one of the increasing problems of our country.

The article follows:

## RUSSIA: POWER PLAY ON THE OCEANS

The flag of the Soviet navy now proudly flies over the oceans of the world. Sooner or later, the U.S. will have to understand that it no longer has mastery of the seas. (Admiral Sergei Gorshkov.)

The author of that threatening boast walked up to a snake charmer in the Indian city of Agra last week and, while his aides looked on aghast, seized a thick, six-foot-long python in his strong hands and draped it over his shoulders. Making a ten-day tour of India, the commander of the Russian navy was acting like the traditional sailor on shore leave. He viewed the Taj Mahal by moonlight, visited the Nehru Museum and the site where Mahatma Gandhi's body was cremated, and shopped for souvenirs. But Admiral Sergei Georgievich Gorshkov's trip to India had an entirely serious purpose, as do all his trips these days. He is trying to line up a worldwide system of ports of call and bases for his navy, and he hoped to persuade India, which is about to receive at least three submarines from the Soviet Union, to reciprocate by allowing Soviet men-of-war to fuel and make repairs in Indian ports.

While the attention of the U.S. is focused on Viet Nam, the Russians are mounting at sea a new challenge that the U.S. and its allies will have to deal with long after the fighting in Southeast Asia is ended. This may come as a surprise to most laymen—but not to U.S. naval experts. While Russia's stock of intercontinental missiles and its huge land army on Europe's periphery still remain the major military threats to the West, in recent years the Russians have developed a global navy second only to the U.S. in size and weaponry. As a comparison between the two navies shows (see chart), the U.S. remains indisputably the world's greatest sea power. But, in a remarkable turnaround since World War II, Moscow has transformed a relatively insignificant coastal-defense force that seldom ventured far from land into a real blue-water fleet.

## NAVAL STRENGTH

United States		U.S.S.R.	
Type	Number	Type	Number
Attack carriers.....	15	Attack carriers.....	0
Helicopter and support carriers.....	17	Helicopter carriers.....	2
Battleships and cruisers.....	14	Cruisers.....	19
Destroyers, frigates, and destroyer escorts.....	330	Destroyers, frigates, and destroyer escorts.....	170
Nuclear-powered submarines.....	75	Nuclear-powered submarines.....	55
Other submarines.....	80	Other submarines.....	305
Landing craft.....	105	Landing craft.....	100
Torpedo and missile boats.....	0	Torpedo and missile boats.....	560

## MERCHANT FLEET

14,000,000 deadweight tons.....	1,000	10,000,000 deadweight tons.....	1,350
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If any one man is responsible for this change, it is Admiral Gorshkov, 57, who became the youngest admiral in Soviet history at 31 and has guided the growth of the navy as its chief for the past twelve years. He has totally reshaped the Soviet Union's once conservative naval strategy and transformed the fleet into the most effective and flexible arm of Soviet foreign policy.

## FORMIDABLE FLEETS

Since 1957, Russia has added to its navy virtually all of the ships that now make up its impressive striking power. It has a modern force of 19 cruisers, 170 destroyers, missile frigates and destroyer escorts, and 560 motor torpedo boats. Its 360 submarines, 55 of them nuclear, give Russia the world's largest submarine fleet, far exceeding the U.S. total of 155 subs but falling short of the U.S. fleet of 75 nuclear subs.

Moreover, unlike other naval powers, the Soviet Union uses its merchant marine and other seagoing services as important arms of the navy. Russia has the world's fastest-growing merchant fleet, which will pass the lagging U.S. merchant marine in tonnage in the early 1970s. Its high-seas fishing fleet is the world's largest and most modern; many of its 4,000 craft fish for vital information along foreign coasts as well as for the creatures of the sea. The Soviet Union also has the largest oceanographic fleet, whose 200 ships plumb the earth's waters for militarily valuable data on depths, currents, bottom topography and other information of interest to its ships and submarines. Says Admiral John McCain Jr., commander in chief of U.S. naval forces in Europe: "The Russian program to develop its seapower is more advanced and fully developed today than most people realize. It encompasses the full spectrum of the uses of the sea—in its military, economic, political and commercial connotations."

The new Soviet emphasis on seapower represents a major strategic decision. With its arsenal of 720 ICBMs more than offset by a larger U.S. deterrent, with its huge land army muscle-bound and deprived of global mobility in the middle of the great Eurasian land mass, Russia has turned to the sea to break out of its own geographic confines and attempt to wield truly global power.

Using the navy as a political as well as a military force, the Kremlin hopes that its mere presence in many places will act as a deterrent to the U.S. Moreover, the Russians want to be ready to move quickly into any areas where U.S. power and prestige may recede. They not only plan to project a more tangible Russian influence in the underdeveloped world but also, by using their merchant fleet, to get a strong hold on the raw materials vital to Soviet—and often to American—industry. Ultimately, though, the Russian navy's biggest threat is a military one. Its offensive strategy not only zeroes submarine-carried nuclear missiles in on U.S. cities, but aims to isolate North America from Europe and Asia in case of war.

## BRIDGE OF TROUBLE

The imperial reach of the Soviet navy has already begun to have its impact on world events. In the tense Sea of Japan, a flotilla of 16 Soviet cruisers and missile frigates has in the past few weeks shouldered its way between the coast of North Korea and the U.S. Navy task force that was sent into the area to add some muscle to U.S. diplomatic demands for the return of the *Pueblo* and its crew. Soviet destroyers have also closely shadowed the carrier *Enterprise*, which withdrew because of North Korean protests shortly before the Soviet navy's approach. The Soviet presence checkmates the U.S. pressure on North Korea and gives the Kremlin a local pressure point without having to resort to nuclear threats.

Soviet seapower sustains the two countries that are giving the U.S. the most trouble. A bridge of 150 freighters from Russian ports carries to Haiphong the SAMs, the petroleum, the rockets, the assault rifles and the ammu-

nition that keep North Viet Nam fighting and killing U.S. soldiers. Moreover, it is the fear of hitting those Russian ships that has so far kept the U.S. from bombing Haiphong's piers or mining the harbor. And it is another bridge of Soviet ships that carries the \$1,000,000-a-day in supplies that sustains Castro's Cuba as the only Communist foothold in the Hemisphere.

## OUTFLANKING NATO

In the Mediterranean, the impact of the Soviet fleet has been particularly dramatic. Where Russia had only a half dozen ships a year ago, it now has 46 ships, almost as many as the 50-ship U.S. fleet, which for years had made the "Med" practically an American lake. Many of the Soviet ships came through the Dardanelles during the Six-Day War, and their arrival helped persuade the Israelis to accept a cease-fire. The Soviets have enhanced their new image as the protector of their Arab allies by keeping a few ships in Alexandria and Port Said so that Israeli bombers will not be tempted to blast away at the vast amount of war matériel that is flowing into those ports.

One main Soviet objective is to outflank NATO's land-based defenses—a goal that the Russian navy has partially reached by penetrating the Mediterranean. In a report to the Western European Union last November, Dutch Delegate Frans Goedhart warned: "It is no longer correct to speak of the 'danger' of the Soviet Union outflanking the NATO southern flank. This 'danger' has become a reality." To the north, the Russians have also turned the Baltic into a virtual Red Sea on which their warships now outnumber NATO forces 5 to 1.

To support its growing naval activity, Russia is searching for new bases and ports of call. Soviet diplomats are setting up an embassy in the new republic of South Yemen, where the Russians have their eye on the former British naval installation at Aden; the installation not only controls entry to the Red Sea but is an ideal base from which to expand influence into the oil-rich sheikdoms of the Persian Gulf. The Soviets may also be able to use the facilities of the big British naval base at Singapore, which Prime Minister Lee Kuan Yew has said he will rent to all comers after the Royal Navy pulls out in 1971. The big question in the Mediterranean is whether the Russians will move into the Algerian naval base at Mers-el-Kebir, which the French evacuated last month; it is only 315 miles east of Gibraltar. Russians have also used their influence with the Arabs to set up secret stockpiles of spare parts within trucking distance of Arab ports.

## RUSSIAN MARINES

Admiral Gorshkov's ships are not only wide-ranging but among the world's newest and best equipped. Unlike the U.S. and Britain, both of which emerged from World War II with large surface fleets, Russia had to start practically from scratch after the war. The result: while 60% of the U.S. fleet consists of ships 25 years old or older, the Soviet navy's surface fleet is sleek and modern. "Almost every time you go into a harbor," says U.S. Navy Captain Harry Allendorfer, an expert on Soviet seapower, "if there are no flag markings and you pick out the cleanest and best-looking ships, nine out of ten of them will be Russian."

The Soviet Union is adding to its fleet of 55 nuclear-powered submarines at the rate of five a year. Most of the Soviet nukes are hunter-killers whose mission is to destroy U.S. Polaris subs in time of war, but a growing number fire a new underwater missile that has a range of at least 1,500 miles (v. the U.S. missile's range of 2,500 miles). Since he believes that naval guns are obsolete, Admiral Gorshkov has equipped almost all Soviet surface ships, from the smallest to the largest, with ship-to-ship missiles. The Soviet missiles are so-called "cruise missiles" that fly about 700 miles an hour, steer themselves either by radar or heat-seeking systems



tions engaged in it are the international organizations. Many of these are specialized agencies associated with the United Nations, but they also include the Organization for Economic Cooperation and Development as well as the regional development banks. These entities have made significant contributions to economic development and the protection of peace. Their continuing participation in the world's everyday work is not the less useful because it is largely unhonored and unsung.

It would be unrealistic, nevertheless, not to recognize that the international organizations are in danger of disappointing the publics which support them. One reason may be that these organizations and their parliamentary bodies sometimes succumb to the risk of contributing more to the already worldwide surplus of oratory than to the stock of new ideas and useful activities. Another reason, unquestionably, is the continuing multiplication of new organizations. In the end, the sight of so many hands outstretched from so many different directions, in gestures either to help or of supplication, must lead to confusion and bewilderment.

It is time, I suggest for us in the international organizations to take an anti-proliferation pledge: to reserve the creation of new entities for functions that clearly have no possible home among the many rooms offered by the international family; to allow the organizations to concentrate their attention on the improvement of existing efforts; and to permit them to work out a more effective coordination and distribution of labors among themselves. Looking at world and regional organizations directly concerned with development finance, it is easy to see, for instance, that we should go further in coordinating and centralizing functions of research, fact-gathering and reporting. That would reduce demands on the time and patience of our client countries and would increase our own efficiency. I am sure that other important opportunities for a better distribution of effort exist not only among the financial institutions but throughout the structure of international organizations.

I wish also to observe that international organizations, no less than national entities, must be alert to the necessity for new approaches. The tendency of any institution is to develop and apply standard formulas, a tendency from which I may say the World Bank Group is not immune. Working out new solutions and breaking old habits is not as easy task; but it will always be necessary for progress. In the World Bank Group, for instance, we have been slow to finance state-owned enterprises because of the problem in many countries of ensuring efficient management of undertakings that, for want of private savings, must operate under government sponsorship. We have only scratched the surface of financing projects to promote tourism, even though the results of such financing may be of first importance for economic development in a number of countries. No doubt other international organizations have barriers of thought which it would be equally useful to break down.

If there is one thing which all of us in the development business should remember, it is that we do live in a world of change. A world in which not only problems but opportunities are multiplying at increasing speed. The new opportunities being opened up by advances in technology, if we take advantage of them, could bring about important breakthroughs on some of the most difficult development problems, and could help bring about a spectacular transformation of the prospects of the developing countries. Let me mention a few possibilities:

One—Greatly increased yields in agriculture through the availability of large quantities of fertilizers at low cost. This can be achieved on the basis of new processes for producing cheap ammonia. A high degree of

international cooperation is required to achieve the chain of primary materials, manufacturing facilities and financing and distribution organizations needed to serve individual countries. The problems which must be solved are formidable, but in my opinion not insoluble. Progress on this front would be of the greatest significance.

Two—A considerable fortification of nutrition, through the continuing development of plants producing high crop yields and containing high protein and caloric values. Advances already made in this respect are beginning to be widely applied here in India, for instance. Recent successes in the laboratory put us on a biological frontier which considerably increases the possibilities of developing products which will exceed in nutritional values anything now found in nature.

Three—Overcoming water shortages by making sea water usable for drinking, for industrial use and eventually for agricultural use. Processes for large-scale de-salting of sea water are soon to have their first trials; and the cost of making sea water suitable for drinking and for irrigation may in this generation approach levels which would make possible applications on a wide scale.

Four—A worldwide slowing in rates of population growth, based on simple, inexpensive and reliable methods of birth control. Here the problem is not only further technical advance but also accelerated social action to see that the technology is used.

Mr. Chairman, I have spoken to this meeting as a banker, not as a diplomat, and I have not used the guarded phrases which international civil servants often employ. One of the great contributions which this meeting could make to the progress of human affairs would be to bring about a sharper feeling of urgency about the tasks of development. It therefore seemed to me that to indulge in an exercise of mere politeness would be a disservice to the Conference and would scarcely recognize the importance of its deliberations.

I have stated my opinion that up to now, performance in development and in development assistance has fallen short of our aspirations. The prosperous nations have been irresolute and to some extent even irrelevant in their efforts to assist the less developed countries. The underdeveloped world is very far from being in a position to say that it has done all it could to help itself. Among international organizations, a multiplicity sometimes verging on disarray is evident.

Despite this, much progress has been made and much more, I am convinced, is in prospect. Sheer physical achievement in the less developed world—the tens of millions of kilowatts of electric generating capacity, the hundreds of thousands of miles of highways and railways constructed or reconditioned, the multitude of industrial plants—has been tremendous.

Throughout many parts of the less developed world, an infrastructure has been put down on the basis of which other kinds of economic growth can and should proceed more rapidly. Even more portentous for the future is the growing number of people who are acquiring the skills and attitudes which will accelerate that growth. A number of countries have acquired the momentum that will carry them to satisfactory standards of living; and I think that in their forward movement, others will join in increasing numbers.

The speed at which development moves forward will depend much on the spirit in which the older and richer countries, the newer and poorer countries, and the international organizations all conduct their common efforts. *Imagination* will be indispensable to meet the many and almost infinitely diverse challenges of the situation of the developing nations. *Patience* is a quality which will be needed in plenty, because the way for

many nations will be long; pauses and setbacks are bound to happen.

The tasks facing rich and poor countries alike—of reconciling rival political views, of relaxing social tensions, of refereeing intense competition for budgetary resources, of providing for internal order and external defense—these common tasks ought to engender mutual respect and tolerance between the countries giving aid and those receiving it. And in the face of the scale and seriousness of these responsibilities which national authorities are carrying, *humility* is the way the international agencies, with their armies of initials, ought to conduct their business of trying to act as inspiration and guide to development.

Savants and scholars, Mr. Chairman, tell us that humanity is now passing through a revolutionary transformation more important than anything since the changes that followed on the invention of agriculture, perhaps ten thousand years ago. Advances in scientific discovery and technical application follow each other with more and more bewildering speed. The technological revolution greatly increases the potential of mankind, but increases it both for good and ill; we stand at a point where humanity literally has the power either to blow itself to bits or to achieve for the whole human race security and comfort of which kings of old never dreamed.

So far the world is only beginning to tap its new potential. The very coming together of this Conference, which provides a crossroads for discussion, is a hopeful sign that no one is satisfied with the present state of affairs. It gives reason to hope that at this particular turning in the road of human history, we will go in the right direction: that just as man turned long ago from savagery to civilization, he will now turn toward an increasingly better life on this planet.

### Homeownership

HON. ANDREW JACOBS, JR.

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Monday, February 26, 1968

Mr. JACOBS. Mr. Speaker, I was pleased to see an increased emphasis on homeownership for lower income families in President Johnson's message on the cities. Despite all our efforts and numerous programs to improve the conditions of our cities and the lives of the people who live there, we have failed in one vital element: We have failed to convince a significant segment of our citizenry that our American system works for them. In short, we have failed to convince them that they have any real stake in our society. The alienation, despair, and desolation felt by inner city residents has been made all too apparent by urban unrest and violence in city after city.

An opportunity for homeownership can serve as one way to give these people a stake in our system. Pride of ownership is a subtle but powerful force. Past experience has shown us that families offered decent homes at prices they could afford have demonstrated a new dignity, a new attitude toward their jobs, and a new sense of participation in their community. Incidents of vandalism in communities where residents were given the opportunity to purchase their own homes have declined markedly. It is only



logical that people who own their homes will care more about what happens in a community than those that merely live there.

The proposals in the message on the cities will make homeownership possible for an increased number of families. These families will have a concrete incentive for striving to improve their own lives as well as the life of the community. The American system has made the benefits of homeownership possible for millions of our citizens; the President's proposals would extend those benefits to many who have traditionally felt bypassed by that system. I ask you to support these proposals for homeownership with the enthusiasm they deserve.

### President Johnson and the Mexican American Citizen—Journey Toward Full Opportunity

**HON. HENRY B. GONZALEZ**

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Monday, February 26, 1968

Mr. GONZALEZ. Mr. Speaker, demonstrating once again that he is the equal rights and opportunity President par excellence, Lyndon B. Johnson has shown the Nation and its Spanish-speaking citizens that he means to make the complete journey toward full opportunity.

In the statement he has issued from the White House entitled "A New Focus on Opportunity for the Spanish-Speaking American," the President has briefly listed the significant actions he has taken as based on the work of his special committee on Mexican American affairs.

To cite a few accomplishments—the enactment of the first national bilingual education program, especially important to the Mexican American and Spanish-speaking child and adult.

The President's request to Congress to improve employment opportunities for Spanish-speaking people, and for greater linguistic help in applying and becoming eligible for Government-supported programs in education, health, job training, and so forth.

The training of teachers to work with Mexican American schoolchildren and migrant workers.

The benefits the Spanish-speaking citizen will obtain from the President's comprehensive programs for millions of housing units and hundreds of thousands of jobs in the next decade for the poor and the unemployed.

All these are indicative of the seriousness of the President's intentions last summer when he set up his special Cabinet Committee on Mexican American Affairs.

I am proud to represent a district which numbers many citizens who speak the Spanish language. I am proud to number many Mexican Americans among my constituents. And I am proud of a President who believes that the journey toward full opportunity must not be ended until the job is completed.

I insert in the RECORD a copy the Pres-

ident's remarks entitled "A New Focus on Opportunity for the Spanish Speaking American":

PROGRAMS FOR SPANISH-SPEAKING AMERICANS  
(Statement by the President on actions taken based on recommendations of the Cabinet Committee on Mexican-American Affairs, February 23, 1968)

Last October, in El Paso, I attended a conference of high purpose. There, with the Vice President and members of the Cabinet, I met with 1,200 Spanish-speaking Americans.

This was the first time that the Mexican-American community had an opportunity to discuss matters of direct concern—ranging from education to economic opportunity, housing to health—with the highest officials of government.

The aim of the 3-day conference was to assure that America's second largest minority was receiving its fair and just share of Federal programs in these areas.

Out of that conference, ideas and suggestions flowed to a Cabinet-level committee on Mexican-American Affairs, which I appointed last June.

Based on the recommendations of the committee—many of which stemmed from the El Paso conference—I have taken the following actions:

In education:

I have signed into law the first Federal bilingual education program. It will help Spanish-speaking children overcome the barriers of language which have prevented them from receiving the fullest benefits of education.

I have asked Congress to provide funds to expand and improve adult and vocational educational programs aimed particularly at those Americans who have no high school diplomas. About 20 percent of these are Spanish-speaking.

I have instructed the Secretary of Health, Education, and Welfare to:

Accelerate the training of specially-trained teachers to work with Mexican-American school children and migrant workers.

Insure compliance with Title VI of the 1964 Civil Rights Act. This forbids discrimination in school district boundaries and in quality of education, wherever the schools receive Federal financial assistance.

In health and welfare:

I have requested the Secretary of Health, Education, and Welfare to:

Simplify application and claim procedures in Medicare, Social Security and other programs serving the Mexican-American communities.

Gather and analyze data on the health of Spanish-speaking Americans.

I have asked the Congress to increase its support of special medical programs for migrant farm workers, most of whom are Mexican-Americans and Puerto Ricans.

I have appointed a distinguished Mexican-American scholar, Dr. Julian Samora, to a Presidential Commission evaluating the Nation's welfare system.

In housing:

The Department of Housing and Urban Development has selected a number of cities to begin planning under the Model Cities program. Among them are San Antonio, Eagle Pass, and Waco, Texas; Denver and Trinidad, Colorado; Albuquerque, New Mexico; New York City and San Juan, Puerto Rico—all with large Spanish-speaking populations.

I have directed the Secretary of HUD to work with Laredo, Texas and its sister city in Mexico, Nuevo Laredo, in an international cooperative effort to help develop a Model Cities program that will improve the condition of life in this border area.

I have requested, in the 1969 budget, \$1 billion for the Model Cities program to revitalize and rebuild entire slum neighborhoods and barrios. In my special message

on the cities, I asked the Congress, industry and labor to begin a ten-year program to construct six million new housing units for low and moderate income families, many of whom are Spanish-speaking.

I have urged the Congress—once more—to pass a Fair Housing Law, insuring that all Americans can have the opportunity to live in a place of their own choosing.

In Federal employment:

I have instructed all Federal agencies:

To work together to increase employment opportunities for Spanish-speaking Americans.

To require employees to know Spanish where they serve large groups of Spanish-speaking people.

To re-examine their hiring and recruiting methods to assure that potentially good workers are not refused jobs because a language barrier works against them in written examinations.

In private employment:

I have asked Congress for funds to extend a test training program to relocate workers from areas of high unemployment to those where work is available.

I have moved to assure that Federal manpower training programs provide English language training for Spanish-speaking people who need it.

I have proposed the job opportunities in business sector (JOBS) program—a new partnership between government and private industry—to train and hire those who have the greatest difficulty finding work.

I have directed the Secretary of Labor to bring together in one unified effort all manpower programs for an attack on hard-core rural and urban unemployment. As a result, the concentrated employment program is underway in several of the largest cities of the Southwest. I have recommended expansion of this program in the 1969 budget.

I have urged Congress again, as I did last year, to give the Equal Employment Opportunity Commission the power to order a halt to employment discrimination.

In rural matters:

I have asked the Congress to authorize a major project to improve Forest Service grazing land in the Southwest, to serve the small rancher.

I have instructed the Secretary of Agriculture to expand the activities of the County Extension Service to meet more fully the needs of the small Mexican-American farmer.

I am directing the Secretaries of Agriculture and Labor to hold hearings so that they can set realistic minimum wages for certain farm workers.

Last June, when I established the Cabinet Committee on Mexican-American Affairs, I said: "We today reaffirm this truth: that what we do for any minority, we do as well for any majority. After all, we do this for all of America."

These convictions remain firm and resolute.

With this report of progress and action, we have begun the journey towards full opportunity for the Mexican-Americans, Puerto Ricans and other Spanish-speaking people of our land.

(NOTE.—The statement was released at Austin, Texas. For the report of the Cabinet Committee on Mexican-American Affairs, see 3 Weekly Comp. Pres. Docs, pages 841, 842.)

### The 100th Anniversary of the Elks

**HON. ED REINECKE**

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, February 26, 1968

Mr. REINECKE. Mr. Speaker, this year marks the 100th anniversary of the



We must learn to dispense welfare with dignity and encourage a return to useful society.

We must do the job with some semblance of efficiency.

Item three. Housing. There are too many areas of deplorable housing in our wealthy nation and housing is a massive, complex problem. There are a few simple things, I believe, that are universally necessary. We must have decent housing codes and ordinances and strong provisions for enforcing them.

We must take the profit out of slum and sub-standard housing for the unscrupulous landlord.

We must embark on long range planning. When you break down a three family occupancy into one, there's got to be a place for the other two. It isn't sufficient to clear a slum area and have no place for the people to go.

I debated whether or not to include this next question in my remarks because of its emotional aspects that torment even the most well meaning of men. It is simply this: Is every citizen free to buy a house he can afford even if his neighbors are of a different race? I think this question troubles middle and lower class families even more than it does the more affluent, creating more problems in middle class property values. On the other side of the coin it is easy to see why freedom of housing is a fundamental concern of the rising and growing group of educated Negroes. The pressure for this will not just go away. This year, or next year, or the next year it will be facing your community.

Incidentally, I think that when each community faces up to the problem, there will not be a fraction of the impact that is feared now.

Items four and five on my list are inseparable. They are education and jobs. There is no way to say which comes first. If a young man can't get a job after finishing high school, for instance, why bother to finish? And yet, if he hasn't finished high school he can't qualify for a job. We've got to be willing to approach this matter as a total system, surround it, and realize that it will take at least a generation to make real progress. In my opinion, we have got to find a way to expose pre-schoolers to learning opportunities so that we're not playing catch-up for the whole school life.

We know full well that all children are not equal. All the Whites aren't equal, nor are all the Irish, nor all the Joneses. We'll never know what they can do until they are given an equal crack at something.

I see it happen often. Through a set of circumstances I found myself looking for a spot for a nephew of one of our Negro workers. The boy was bright, aggressive and hard-working but had finished only seven years of school. He is now making a contribution to our laundry equipment plant. This is an isolated and unusual example and there are a half dozen failures for every success. It does point out another aspect of the problem. We not only have to provide equal educational opportunities, we've also got to find a way to salvage the people who have already dropped out of the race.

The task is not as impossible as it may seem. We have had some great results with young men who were discarded or who discarded themselves. We don't win them all, but the proportion is growing.

After all the debating is over, a fellow has got to have a job. He needs the income, the status, the dignity, the stability that a job gives him. "There is nothing like a job," to get a man on his feet. Not all the welfare or all the houses of correction are anything like a job.

Now, I've told you what I think has got to be done . . . what we have to do. And who is "WE"? In the last couple of years I've developed a strong feeling that "WE" can be a group that has not yet made a real effort, as a group, to turn the tide.

We've seen the churches make passes at social progress without any real solid success.

We've watched the volunteer groups of a community do a host of fine and wonderful things, but each touches only a facet of a community problem. They do not have power or influence over the waves of trouble.

The schools are having a tough enough time handling classroom problems. They cannot extend their influence.

The local governments that logically should be in a position to control such things have failed miserably. And the loud and diversified shouts of outraged citizenry do not lead to effective action.

What group then is left? What group can do something? I think that we are the group that can do something. We, the businessmen, the industrialists.

We businessmen are the only group in most communities who have the wherewithal to make significant dents in these problems.

Consider if you will . . . we have most of the jobs under our jurisdiction and we can change policies and practices to meet whatever circumstances arise. We have, in our total enterprises, most of the money that can be brought to bear on problems of our Choosing. We have most of the management skills in town working for us. It's simply the character of our work.

We businessmen can put together more sheer power for good or for evil than all the rest of the elements of the community combined. Call it power . . . call in influence . . . call it clout. By any name it is the ability to get things done.

Most of us, however, and you can include me until recently, have not wanted to throw our weight around. We haven't felt it the province of business to get into social problems. Many of us have attempted to make individual contributions toward solving community problems.

Whatever personal comfort you may get from the individual approach, it won't do a thing toward curing problems of such great dimensions. I believe the job can only be done by an organized, unanimous, massive assault by businessmen.

You don't have to do it out of a feeling of altruism either, it can be a hard-headed business judgment. Look at your community. You have your money and your time invested there. In our case, we are a very big part of the community and even if we didn't have a drop of human kindness in us, we couldn't sit and watch the community deteriorate and become unfit to work and live in.

The truth is: we can't afford not to become involved in social problems. It has got to be a cost of doing business . . . and it will be costly . . . so that your community will be worth doing business in and living in.

I think you will also find that when you, as a group, put muscle into a project your community will stand up and cheer. They're ready for leadership, leadership that isn't coming from other community sources. They'll applaud your leadership, even if it does utilize some raw muscle.

You may not share my opinions but I know you share the problem. If you do not involve yourself in a solution, the problem may engulf you.

I simply ask that you give these ideas a chance to season, and then, ask yourself . . . If not us . . . who? If not now . . . when?

### National Safety Patrol Week Resolution

**HON. HERVEY G. MACHEN**

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Monday, February 26, 1968

Mr. MACHEN. Mr. Speaker, as you know, a number of other Congressmen

have already introduced legislation to designate the second week of May as "National Safety Patrol Week." I, too, have introduced a bill today for that purpose because I believe that the boys and girls across the country who make up the school safety patrol are performing an inestimable service not only to themselves and their classmates but to all of us by learning and teaching the principles of safety. For their efforts, they certainly deserve the honor that this bill would provide.

There are over 900,000 safety patrols serving in over 40,000 schools in 15,000 communities. They are found in every State and there are 10,000 in suburban Maryland alone. In addition, there are some 156,000 patrol members serving in foreign nations.

Since the establishment of the safety patrol program in the 1920's, over 16 million boys and girls have served in it. I believe that the experience which these boys and girls have gained through their association with this program will always stand them in good stead. Certainly, the respect for the law which they learn through this program is excellent. We need more such programs to teach and encourage our youngsters to develop a healthy and cooperative attitude toward the law and the law-enforcement officers of the Nation. Therefore, I feel honored and privileged to join with others in encouraging the recognition of the tremendous service which this program and its members are providing to the Nation.

### Homeownership

**HON. JOHN H. DENT**

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Monday, February 26, 1968

Mr. DENT. Mr. Speaker, over the years, our Nation has shown great wisdom in fostering and enacting legislation which has encouraged homeownership. Tens of millions of families across the land have become homeowners. The percentage of American families owning their own homes has risen from 41 percent in 1940 to about 66 percent recently.

Homes and homeownership have significant values for the owners and the community. It instills in men a pride of having a physical stake in the locality—and in the Nation. It produces in the owner a greater interest in the well-being and character of the community. And, for the community, a large percentage of homeowners makes for stable living conditions.

Since the early housing legislation in the 1930's to the present, we in this body of Congress have recognized the validity of these propositions and have taken many steps to enable those of modest incomes to attain homeownership. You know the institutions that have been developed to provide for it—the Federal Home Loan Bank system, the Federal Housing Administration, and others.

In this session of Congress, we will have the opportunity to expand the horizon of homeownership even further. The President has called for legislation



to enable 100,000 low-income families to buy or repair their own homes through an interest payment program.

We must continue the sound course of previous Congresses and vote to provide the needed additions to American homeownership. The President's recommendations deserve our favorable action.

**Dr. Ivan A. Gettling: Boss of the Year**

**HON. CHARLES H. WILSON**

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, February 26, 1968

Mr. CHARLES H. WILSON. Mr. Speaker, I am very proud to announce that, in selecting the 1968 international boss of the year, the National Secretaries Association has chosen one of California's most distinguished aerospace leaders, Dr. Ivan A. Gettling, president of the Aerospace Corp. This award is the highest tribute to management bestowed annually by the 25,000-member organization.

Since the Aerospace Corp. is situated in my 31st Congressional District, I recently had the privilege of visiting the center to discuss operations with Dr. Gettling and his associates and can readily attest to the brilliance of Dr. Gettling's administration as seen in the company's position of leadership in the aerospace industry.

Dr. Gettling came to the presidency of Aerospace in 1960 after an impressive career in advanced engineering. An Edison scholar at the Massachusetts Institute of Technology, and a Rhodes scholar at Oxford University where he earned his Ph. D., he first served the U.S. Air Force as assistant for development planning in the air staff. Then he returned to MIT where, from 1940 through 1945, he directed the division of fire control and Army radar at the Radiation Laboratory while also heading up the naval fire control section of the Office of Scientific Research and Development and sitting on the Combined Chiefs of Staff Committee on Searchlight and Fire Control.

From 1945 to 1950, Dr. Gettling was a professor in MIT's electrical engineering department, and it was with this varied experience that he first entered industry as vice president for engineering and research of the Raytheon Co.

A man truly dedicated to the advancement of science, Dr. Gettling is unstinting with his time, serving as adviser to many Government committees whenever he feels he can be of value. He chaired the Limited Warfare Panel of the President's Science Advisory Committee from 1961 to 1964 and has also served on the U.S. Air Force Scientific Advisory Board, the Signal Corps Advisory Council, the Underseas Warfare Committee of the National Research Council, and the Defense Department's Research and Engineering Advisory Panel on Electronics.

This is the first time the National Secretaries Association has selected a Californian as international boss of the year. They could not have made a better choice.

## Auto Piggyback

**HON. CLAUDE PEPPER**

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Monday, February 26, 1968

Mr. PEPPER. Mr. Speaker, thousands of Americans are waiting for the day when they may be able to drive their cars onto specially designed railroad cars and ride in them in comfort and leisure to distant points. When the train arrives at its destination, under this visionary method of transportation, the riders will be able to drive their cars from the train and proceed, rested and relaxed, to enjoy the convenience of their own automobiles at the new location.

Unfortunately, Federal funds for an experimental program of "auto piggyback" were deleted by the House and House-Senate conference committee from last year's appropriation for the Office of High-Speed Ground Transportation. The Director of the high-speed program, Dr. Robert Nelson, is still negotiating with private industry sources for \$4 million to keep the program alive. Meanwhile, the many Americans who are anxious to take advantage of this much-needed transportation service are deprived of the opportunity.

Mr. Speaker, I hope that a breakthrough will be made in making the auto piggyback program a reality. I can foresee the time when trains will carry carloads of visitors to Miami, where they will be able to see many more of the sights and attractions of our city.

Mr. Speaker, I would like to place, at this point, in the CONGRESSIONAL RECORD an article from the Miami Herald of February 1, 1968, bringing up to date the progress—or lack of it—being made on auto piggyback, along with an article by Mr. Arne C. Wiprud, regarding the need to enact this service for those in Florida's east coast and the whole State. Also, I would like to insert a letter from Mr. Hyman Reinstein, one of many who have written to me and the Department of Transportation in support of this proposal.

[From the Miami Herald, Feb. 1, 1968]

**FAST TRAINS AND AUTO PIGGY BACKS ARE STALLED IN APATHY**

WASHINGTON.—No one seems to want high speed rail service—no one, that is, but the public.

Most railroads apparently couldn't care less. Freight, not people, is their main concern.

As for Congress, its record on improving rail service is less than good. Just this year, it cut funds for the experimental auto train.

But at the Office of High Speed Ground Transportation there is a file bulging with letters from would-be riders who not only want fast train service, but point out that it is long overdue.

Basically, the government's immediate program to improve rail service is divided into three projects. Like many passenger trains, all are behind schedule.

The Washington to Jacksonville, Fla., car train was stalled this year when Congress failed to approve the funds needed to begin the test.

But the head of the high speed program, Dr. Robert Nelson, is not giving up hope. He said the government is "negotiating with

private industry" for \$4 million to keep the project alive.

He said, however, that railroad equipment makers may be willing to put up enough money to keep the project going.

Under the car train program, a traveler would drive his own car into a specially designed railroad car. His car would be his seat, but the train's equipment would include everything from a diner to a movie house and a playroom for children.

As for fares, they would be levied on a per-automobile basis, rather than for each passenger. The one-way fare to Jacksonville for the car and a "reasonable" number of passengers would be \$100.

Yet, even if private industry puts up the money, the service could not possibly begin until February 1969, Nelson said.

The other two rail projects are high-speed trains designed to relieve congestion in the heavily-traveled northeast corridor between Boston and Washington.

One train will operate over the tracks of the bankrupt New York, New Haven and Hartford Railroad. The cars are being built by United Aircraft, using special aircraft turbo-prop engines.

When it begins operation, the train is expected to shave an hour off the normal run of four and a quarter hours between New York and Boston.

Another leg will be operated by the Pennsylvania Railroad between New York and Washington. It will use electric trains running at speeds of up to 120 miles an hour.

In November, speeds of 164 miles an hour were reached by two electric cars being tested by the Pennsylvania Railroad on a special high-speed track between New Brunswick and Trenton, N.J.

Pennsylvania R.R. President Allen J. Greenough said the new self-propelled cars are the first of 50 undergoing rigorous testing.

Transportation Secretary Alan S. Boyd originally said this service would begin in October 1967, but the target date now is early spring of 1968. The delay is attributed to technical difficulties—the firms producing the special cars have not been able to deliver them on schedule.

The Transportation Department hopes to keep the experiment going for two years, but no one can predict what the outcome will be. More passengers are expected to ride the trains, but whether the increase will be enough to offset the high operating cost is anyone's guess.

Nelson concedes that aside from the Pennsylvania Railroad and the New York Central, most of the nation's other railroads have shown little interest in financing high-speed rail service.

The statistics tell why. In 1966, railroad passenger revenue dropped to \$545 million—one-twentieth of the rail industry's total revenue. In terms of people, the railroads carried more than 910 million passengers in 1944. In 1966, the total dropped to 300 million.

But things were different on the freight side of the ledger. Freight accounted for 90 per cent of the industry's \$10 billion gross revenue total last year.

The railroads argue that they are not the only guilty party. They point to the government decision to take profitable mail contracts off passenger trains and put them on airplanes. Labor union demands and the public's fascination with air travel are other key reasons for the decline of the passenger train, the railroads claim.

Nelson refused to commit himself one way or another on the outcome of the high-speed experiment.

He said he thought the trains would get "substantial patronage," but added that it was quite possible it would not be enough to offset the cost of the service.

If the experiment fails to make money, it could end up as a subsidized government operation. Or, commuter hopefuls may have





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# Congressional Record

PROCEEDINGS AND DEBATES OF THE 90<sup>th</sup> CONGRESS, SECOND SESSION

Vol. 114

WASHINGTON, MONDAY, FEBRUARY 26, 1968

No. 28

## House of Representatives

The House met at 12 o'clock noon.

The Chaplain, Rev. Edward Gardiner Latch, D.D., offered the following prayer:

*The hand of our God is upon all of them for good that seek Him.—Ezra 7: 22.*

Eternal God, our Father, we, Thy humble servants, bow before Thee at the altar of prayer. As we remember Thine unflinching goodness which has attended us all our days, we pray for Thy good spirit to move within our hearts as we start our deliberations this day.

We acknowledge our shortcomings, our selfishness and our sins. Forgive us, we pray Thee, when we fall short of Thy will for us and Thy way for our Nation. Cleanse the thoughts of our hearts by the inspiration of Thy holy spirit that we may think better, speak better, and do better than ever before.

We pray for those in positions of influence in our Nation that they may lead our people in right and just paths. Lay Thy hand in blessing upon our President, our Speaker, the Members of this body, and all who labor with them. Give them the assurance that with Thee great things are possible. Thus may our faith be renewed, our hope restored, and good will revived in all our hearts. In the name of Him who went about doing good we pray. Amen.

### THE JOURNAL

The Journal of the proceedings of Thursday, February 22, 1968, was read and approved.

### MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Geisler, one of his secretaries, who also informed the House that on February 19, 1968, the President approved and signed a bill of the House of the following title:

H.R. 13094. An act to amend the Commodity Exchange Act, as amended.

### ANNOUNCEMENTS OF SCHEDULE OF HEARINGS ON HOUSING PROGRAM

(Mr. BARRETT asked and was given permission to address the House for 1

minute and to revise and extend his remarks.)

Mr. BARRETT. Mr. Speaker, last week the President delivered his truly great message on the crisis of the cities, and this week he is transmitting to the Congress the Housing and Urban Development Act of 1968 which he most aptly calls a charter of renewed hope for the American city.

I would like to inform our colleagues that in order to expedite the President's legislative proposals, the Subcommittee on Housing has scheduled 3 weeks of hearings beginning March 12 on the President's bill and other housing and urban development bills pending before the Banking Committee. Groups and organizations having an interest in the legislation who wish to testify or file statements should get in touch with subcommittee staff members, Jim McEwan or Ken Burrows, 2129 Rayburn Building, telephone 225-7054.

### NAVAL NUCLEAR PROPULSION

(Mr. PRICE of Illinois asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PRICE of Illinois. Mr. Speaker, I am very pleased that we of the Joint Committee on Atomic Energy were able to get our naval nuclear propulsion hearing print out before the planned House Armed Services Committee hearings on this subject. This record, which covers last year's hearings and the executive hearings we held earlier this month, gives an up-to-date picture of this critical defense area.

We have problems in the naval nuclear propulsion field. We need advanced performance attack submarines and need them badly. We need nuclear-powered warships to escort our aircraft carriers. Our security system concerning nuclear warship technology apparently needs some tightening up. Our industrial capability to build naval nuclear propulsion plants is on the wane.

We tried to include in the record of these hearings all the basic information we could, within the bounds of security, which are pertinent to the issue of nuclear warships. The record summarizes

what all the responsible committees of the Congress have done in this area and should provide a good base for the House Armed Services Committee to take off from in its public hearing.

I am sorry we were not able to obtain the additional data on nuclear propulsion we asked the Secretary of the Navy for earlier this month—see page 497 of committee print. This data concerned a study done by Admiral Rickover. Frankly, the cooperation we have received from the Defense Department in getting this information leaves much to be desired.

The House Armed Services Committee has also asked for this information and has not received it.

For reasons I do not understand, the Joint Committee request of the Secretary of the Navy for a document on nuclear propulsion which Admiral Rickover prepared ended up in the office of the Assistant Secretary, Systems Analysis, in the Defense Department. I am sure that this request for information will receive attention in the House Armed Services Committee next Tuesday if the data has not been received at that time.

### DEATH OF JUDGE ARTHUR KLEIN

(Mr. CELLER asked and was given permission to extend his remarks at this point in the Record.)

Mr. CELLER. Mr. Speaker, Arthur Klein lies in timeless sleep, where there is neither calendar nor almanac.

Death found him a shining mark—an eminent jurist, judge of the Supreme Court of the State of New York—in which capacity he served with diligence, dedication, and devotion. Prior to his service on the bench he had been a Congressman from the Empire State. His tenure as Congressman was marked by tact, wisdom, and efficiency. He was repeatedly rewarded by reelections. I served with him and grew to have an affectionate regard for him and high respect for his judgment.

His ascendancy to the bench was a loss to Congress and a decided boon to the bench.

He was a humble man. Through the fabric of his seriousness there ran a deli-



cate thread of humor that was most comforting and refreshing.

We shall dearly miss him. I have lost a loyal friend. His wife has lost a true helpmate, and his children a devoted father.

We shall always remember him. Indeed, to live in the hearts of those we leave behind us is not to die.

Let us say—God has placed his finger upon him and he sleeps.

#### SOME PUBLICITY CREATES A BAD AND DISTORTED IMAGE

(Mr. TAYLOR asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. TAYLOR. Mr. Speaker, on February 19, 1968, an Associated Press wire photo appeared in American newspapers showing a Vietcong suspect lying on the ground with a gun pointed at him by a South Vietnamese marine. The cutline beneath the picture stated that this prisoner was executed after he had stated that he had been forced to serve the Vietcong.

Earlier a similar picture appeared in American papers showing a Vietcong prisoner, according to the cutline, being shot in the head with a pistol held by a South Vietnamese official.

Supposing that these atrocities did take place, and we only have one news photographer's word for it, what earthly good can come from placing pictures of this type in American newspapers? Certainly we all abhor such inhuman treatment of war prisoners. American military authorities should make every possible effort to put an end to such.

But this publicity is creating a bad image, and I believe a distorted image, of the people that we are fighting with and for.

American newspapers are read all over the world and this includes North Vietnam. Such pictures and publicized stories of cruelty are apt to cause the Communists to retaliate against our soldiers and marines when they are taken as prisoners.

These pictures can be reproduced by the Communists and used to convince their troops that if they surrender, they will be killed, thus making it more difficult for us to bring this war to a successful conclusion.

To me this does unnecessary and irreparable damage to our war efforts in Vietnam and should not be continued.

#### HIGH INTEREST RATES THREATEN VETERANS' PROGRAMS

(Mr. PATMAN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PATMAN. Mr. Speaker, on January 30, President Johnson sent his second message on veterans to the Congress. This message combined with his earlier statement on veterans of January 31, 1967, is a clear call for the country to meet its full obligation to our servicemen who are sacrificing so much.

Mr. Speaker, President Johnson, throughout his career in the Congress,

recognized and supported measures designed to give the veterans the benefits which they had so fully earned. Now, as President, he has continued and expanded his concern for the welfare of the returning serviceman. President Johnson's program gives the veteran a full opportunity to continue his education, to obtain job training, home loans, hospitalization, and a variety of other assistance which has been accorded veterans of earlier conflicts.

Mr. Speaker, the Congress must respond fully to the President's program for the veterans and provide the necessary funds to make these programs work. Unfortunately, these needs must be met—and met fully—during a period of very tight budgetary conditions in the Federal Government. With these growing needs of the veteran, it is tragic that so much of our national wealth and our Federal budget must be allocated to pay interest on the national debt.

This year, Mr. Speaker, the Federal Government must pay \$15.5 billion in interest on the national debt—the second largest single item in the budget. If interest rates had been kept at the level existing in 1952, when President Truman left office, we would be paying \$8 billion less on the current national debt. This is \$8 billion that could be used for a variety of needed programs, including veterans' assistance.

Mr. Speaker, if we continue to allow the interest rates to go up, we will be paying so much on the national debt that there will be little left for the veterans and other needy segments of our society.

Mr. ANDERSON of Illinois. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from Illinois.

Mr. ANDERSON of Illinois. How much less would the interest on the national debt be today if the interest rates were the same as those in 1960? The gentleman went back to 1952. Would the gentleman give us the figures for 1960?

Mr. PATMAN. I will be glad to detail the situation on interest rates. I will put this in the body of the RECORD later today.

Mr. ANDERSON of Illinois. I will look for that information with great interest.

#### THE LATE HONORABLE SCOTT W. LUCAS

(Mr. PRICE of Illinois asked and was given permission to address the House for 1 minute.)

Mr. PRICE of Illinois. Mr. Speaker, on last Thursday morning one of the great legislative leaders of our time passed away. I speak of the Honorable Scott W. Lucas, a former Member of this body, a former Member of the other body, who closed his legislative career as the majority leader of the other body.

I knew Scott Lucas over 35 years. I first met him in Illinois in 1932. Since that time I have been in close association with him. I worked closely with him on many projects affecting the State of Illinois.

As a Member of Congress Scott Lucas devoted much of his time to social legislation that has been placed on the statute books in the past 25 years. He was a

champion of the social security program and of many progressive and important farm measures.

Scott Lucas was a dynamic leader, a statesman of the highest caliber. Most of all he was a loyal friend. I know all of us in the House who have had the privilege of serving with him mourn his passing.

Mr. ALBERT. Mr. Speaker, will the gentleman yield?

Mr. PRICE of Illinois. I am glad to yield to the majority leader.

Mr. ALBERT. Mr. Speaker, I join the distinguished gentleman from Illinois in his tribute to a great former Member of this House and an outstanding leader in our Nation, the former majority leader of the Senate. I have had the honor of knowing Scott Lucas for many, many years. I knew him before I came to the Congress. I knew him and had some association with him as a lawyer before World War II. Scott Lucas was a great lawyer as well as a great statesman. He has lived a full and remarkable life. I join my friend from Illinois in extending to his loved ones my deepest sympathy.

Mr. ARENDS. Mr. Speaker, will the gentleman yield?

Mr. PRICE of Illinois. I yield to the gentleman from Illinois [Mr. ARENDS], the minority whip.

Mr. ARENDS. Mr. Speaker, when back in the district this last weekend I learned with great sorrow of the passing of former Senator Scott Lucas. For many years I have known Scott Lucas not only as a legislator, but likewise as a friend. Before coming to Congress I was associated with him in the American Legion in the great State of Illinois. He and I became good friends not only in the House of Representatives where we served 4 years together but likewise in the many years that he served in the U.S. Senate. He became majority leader of the U.S. Senate.

Scott Lucas did an outstanding job not only in behalf of his district but of the State of Illinois and the Nation during his many years of public service. He was favorably known all over the Nation. I was pleased to be associated with and proud to call him my friend. Those of us who knew him in the legislative Halls and who knew him in private life always appreciated his warmth and sincerity. Many, many times I played golf with Scott, this being his favorite game. Always he was the true sportsman, never asking for more than he was willing to give. He at one time was president of Burning Tree Club where he was loved and respected by all. Scott will be missed tremendously by all the membership.

I extend to his family my deepest and sincerest sympathy at this time.

Mr. LAIRD. Mr. Speaker, will the gentleman yield?

Mr. PRICE of Illinois. I am glad to yield to the gentleman from Wisconsin [Mr. LAIRD].

Mr. LAIRD. Mr. Speaker, I thank the gentleman from Illinois for yielding to me to pay my respects and tribute to the former majority leader of the U.S. Senate, Scott Lucas of Illinois. Scott Lucas was an outstanding legislator, but more importantly he was a great and true friend. Scott Lucas spent many summers



# S. 3029

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## IN THE SENATE OF THE UNITED STATES

FEBRUARY 26, 1968

Mr. SPARKMAN introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

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## A BILL

To assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That this Act may be cited as the "Housing and Urban  
4       Development Act of 1968".

### 5       TITLE I—LOW AND MODERATE INCOME

### 6                               HOUSING

### 7       HOMEOWNERSHIP FOR LOW AND MODERATE INCOME

### 8                               FAMILIES

9       SEC. 101. (a) Title II of the National Housing Act is  
10       amended by adding at the end thereof the following new  
11       section:



1 “HOMEOWNERSHIP FOR LOW AND MODERATE INCOME  
2 FAMILIES

3       “SEC. 235. (a) For the purpose of assisting low and  
4 moderate income families in acquiring homeownership or in  
5 acquiring membership in a cooperative association operating  
6 a housing project, the Secretary is authorized to make, and  
7 to contract to make, periodic assistance payments on behalf  
8 of such homeowners and cooperative members. The assist-  
9 ance shall be accomplished through payments to mortgagees  
10 holding mortgages meeting the special requirements specified  
11 in this section.

12       “(b) To qualify for assistance payments, the homeowner  
13 or the cooperative member shall be of low or moderate income  
14 and satisfy eligibility requirements prescribed by the Secre-  
15 tary, and—

16 “ (1) the homeowner shall be a mortgagor under a  
17 mortgage which meets the requirements of and is insured  
18 under subsection (i) or (j) (4) of this section: *Pro-*  
19 *vided*, That a mortgage meeting the requirements of sub-  
20 section (i) (3) (A) of this section but insured under  
21 section 237 may qualify for assistance payments if such  
22 mortgage was executed by a mortgagor determined not  
23 to be an acceptable credit risk for mortgage insurance  
24 purposes (but otherwise eligible) under subsection  
25 (j) (4) of this section or under section 221 (d) (2) or



234 (c) and accepted as a reasonably satisfactory credit risk under section 237; and

“(2) the cooperative association of which the family is a member shall operate a housing project, the construction or substantial rehabilitation of which has been financed with a mortgage insured under section 213 and which has been completed within two years prior to the filing of the application for assistance payments and the dwelling unit has had no previous occupant other than the family: *Provided*, That assistance payments may be made with respect to a dwelling unit in an existing cooperative project which meets such standards as the Secretary may prescribe, if the family qualifies as a displaced family as defined in section 221 (f), or a family which includes five or more minor persons, or a family occupying low-rent public housing: *Provided further*, That the amount of the mortgage attributable to the dwelling unit shall involve a principal obligation not in excess of \$15,000 (\$17,500 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require), except that with respect to any family with five or more persons the foregoing limits shall be \$17,500 and \$20,000, respectively.

“(c) The assistance payments to a mortgagee by the Secretary on behalf of a mortgagor shall be made during



1 such time as the mortgagor shall continue to occupy the prop-  
2 erty which secures the mortgage. The payment shall be in an  
3 amount not exceeding the lesser of—

4 “ (1) the balance of the monthly payment for prin-  
5 cipal, interest, taxes, insurance, and mortgage insur-  
6 ance premium due under the mortgage remaining unpaid  
7 after applying 20 per centum of the mortgagor's income :  
8 *Provided*, That, in determining a mortgagor's income  
9 for the purposes of this paragraph, there shall be de-  
10 ducted an amount equal to \$200 for each minor person  
11 who is a member of the immediate family of, and living  
12 with, the mortgagor, and the earnings of any such minor  
13 person shall not be included in the income of such mort-  
14 gagor ; or

15 “ (2) the difference between the amount of monthly  
16 payment for principal, interest, and mortgage insurance  
17 premium which the mortgagor is obligated to pay under  
18 the mortgage and the monthly payment for principal and  
19 interest which the mortgagor would be obligated to pay  
20 if the mortgage were to bear interest at the rate of 1  
21 per centum per annum.

22 “ (d) Assistance payments to a mortgagee by the  
23 Secretary on behalf of a family holding membership in a  
24 cooperative association operating a housing project shall be  
25 made only during such time as the family is an occupant of



1 such project and shall be in amounts computed on the basis  
2 of the formula set forth in subsection (c) applying the co-  
3 operative member's proportionate share of the obligations  
4 under the project mortgage to the items specified in the  
5 formula.

6 “(e) The Secretary may include in the payment to the  
7 mortgagee such amount, in addition to the amount computed  
8 under subsection (c), (d), or (j) (6), as he deems appro-  
9 priate to reimburse the mortgagee for its expenses in han-  
10 dling the mortgage.

11 “(f) Procedures shall be adopted by the Secretary  
12 for recertifications of the mortgagor's (or cooperative mem-  
13 ber's) income at intervals of two years (or at shorter in-  
14 tervals where the Secretary deems it desirable) for the  
15 purpose of adjusting the amount of such assistance payments  
16 within the limits of the formula described in subsection (c).

17 “(g) The Secretary shall prescribe such regulations as  
18 he deems necessary to assure that the sales price of, or other  
19 consideration paid in connection with, the purchase by a  
20 homeowner of the property with respect to which assistance  
21 payments are to be made is not increased above the ap-  
22 praised value on which the maximum mortgage which the  
23 Secretary will insure is computed

24 “(h) There are authorized to be appropriated such  
25 sums as may be necessary to carry out the provisions of this



1 section, including such sums as may be necessary to make the  
2 assistance payments under contracts entered into under this  
3 section. The aggregate amount of contracts to make such  
4 payments shall not exceed amounts approved in appropria-  
5 tions Acts, and payments pursuant to such contracts shall  
6 not exceed \$75,000,000 per annum prior to July 1, 1969,  
7 which maximum dollar amount shall be increased by \$100,-  
8 000,000 on July 1, 1969, by \$125,000,000 on July 1, 1970,  
9 by \$150,000,000 on July 1, 1971, and by \$150,000,000  
10 on July 1, 1972.

11 “(i) (1) The Secretary is authorized, upon applica-  
12 tion by the mortgagee, to insure a mortgage executed by a  
13 mortgagor who meets eligibility requirements for assistance  
14 payments prescribed by the Secretary under subsection (b).  
15 Commitments for the insurance of such mortgages may be  
16 issued by the Secretary prior to the date of their execution  
17 or disbursement thereon, upon such terms and conditions  
18 as the Secretary may prescribe.

19 “(2) To be eligible for insurance under this subsection,  
20 a mortgage shall meet the requirements of section 221  
21 (d) (2) or 234 (c), except as such requirements are modi-  
22 fied by this subsection.

23 “(3) The mortgage to be insured under this subsection  
24 shall—

25 “(A) involve a single-family dwelling which has



1        been approved by the Secretary prior to the beginning  
2        of construction or substantial rehabilitation or a one-  
3        family unit in a condominium project (together with  
4        an undivided interest in the common areas and facilities  
5        serving the project) which is released from a multi-  
6        family project, the construction or substantial rehabilita-  
7        tion of which has been completed within two years  
8        prior to the filing of the application for assistance pay-  
9        ments with respect to such family unit and the unit has  
10       had no previous occupant other than the mortgagor:  
11       *Provided*, That the mortgage may involve an existing  
12       dwelling or a family unit in an existing condominium  
13       project which meets such standards as the Secretary  
14       may prescribe, if the mortgagor qualifies as a displaced  
15       family as defined in section 221 (f), or a family which  
16       includes five or more minor persons, or a family occupy-  
17       ing low-rent public housing: *Provided further*, That the  
18       mortgage may involve a dwelling unit in an existing  
19       project covered by a mortgage insured under section 236  
20       or in an existing project receiving the benefits of finan-  
21       cial assistance under section 101 of the Housing and  
22       Urban Development Act of 1965;

23       “(B) where it is to cover a one-family unit in a  
24       condominium project, have a principal obligation not ex-  
25       ceeding \$15,000 (\$17,500 in any geographical area



1 where the Secretary authorizes an increase on the basis  
2 of a finding that cost levels so require), except that with  
3 respect to any family with five or more persons the fore-  
4 going limits shall be \$17,500 and \$20,000, respectively;  
5 and

6 “(C) be executed by a mortgagor who shall have  
7 paid (i) in the case of a displaced family, as defined in  
8 section 221 (f), at least \$200, or (ii), in the case of  
9 any other family, at least 3 per centum (or such larger  
10 amount as the Secretary may require) of the Secretary’s  
11 estimate of the cost of acquisition, in cash or its equiva-  
12 lent, which amount in either instance may be applied for  
13 the payment of settlement costs and initial payments for  
14 taxes, hazard insurance, mortgage insurance premiums,  
15 and other prepaid expenses.

16 “(j) (1) In addition to mortgages insured under the  
17 provisions of subsection (i), the Secretary is authorized,  
18 upon application by the mortgagee, to insure a mortgage  
19 (including advances under such mortgage during rehabilita-  
20 tion) which is executed by a nonprofit organization to finance  
21 the purchase and rehabilitation of deteriorating or substand-  
22 ard housing, for subsequent resale to low or moderate income  
23 home purchasers who meet eligibility requirements for  
24 assistance payments prescribed by the Secretary under sub-  
25 section (b). Commitments for the insurance of such mort-



gages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

“(2) To be eligible for insurance under paragraph (1) of this subsection, a mortgage shall—

“(A) be executed by a private nonprofit organization, approved by the Secretary, for the purpose of financing the purchase and rehabilitation (with the intention of subsequent resale) of property comprising one or more tracts or parcels, whether or not contiguous, consisting of (i) four or more single-family dwellings of detached, semidetached, or row construction, or (ii) four or more one-family units in a structure or structures for which a plan of family unit ownership approved by the Secretary is established;

“(B) be in a principal amount not exceeding the appraised value of the property at the time of its purchase under the mortgage plus the estimated cost of the rehabilitation;

“(C) bear interest (exclusive of premium charges for insurance and service charge, if any) at not to exceed such per centum per annum, on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market;

“(D) provide for complete amortization (subject to



1 paragraph (4) (E) ) by periodic payments within such  
2 term as the Secretary may prescribe; and

3 “(E) provide for the release of individual single-  
4 family dwellings from the lien of the mortgage upon their  
5 sale in accordance with paragraph (4) .

6 “(3) No mortgage shall be insured under paragraph  
7 (1) unless the mortgagor shall have demonstrated to the  
8 satisfaction of the Secretary that (A) the property to be re-  
9 habilitated is located in a neighborhood which is sufficiently  
10 stable and contains sufficient public facilities and amenities  
11 to support long-term values, or (B) the rehabilitation to be  
12 carried out by the mortgagor plus its related activities and  
13 the activities of other owners of housing in the neighborhood,  
14 together with actions to be taken by public authorities, will  
15 be of such scope and quality as to give reasonable promise  
16 that a stable environment will be created in the neighbor-  
17 hood.

18 “(4) (A) No mortgage shall be insured under para-  
19 graph (1) unless the mortgagor enters into an agreement,  
20 satisfactory to the Secretary, that it will offer to sell the  
21 dwellings involved, upon completion of their rehabilitation,  
22 to low or moderate income individuals or families meeting the  
23 requirements established by the Secretary under subsection  
24 (b) .

25 “(B) The Secretary is authorized to insure under this



1 paragraph mortgages executed to finance the sale of in-  
2 dividual dwellings to low or moderate income purchasers as  
3 provided in subparagraph (A). Any such mortgage shall—

4 “(i) be in a principal amount not in excess of that  
5 portion of the unpaid principal balance of the blanket  
6 mortgage covering the property which is allocable to the  
7 individual dwelling involved;

8 “(ii) bear interest at the same rate as the blanket  
9 mortgage; and

10 “(iii) provide for complete amortization by periodic  
11 payments within a term equal to the remaining term  
12 (determined without regard to subparagraph (E)) of  
13 such blanket mortgage.

14 “(C) The price for which any individual dwelling is sold  
15 under this paragraph shall be in an amount equal to that  
16 portion of the unpaid principal balance of the blanket mort-  
17 gage covering the property which is allocable to the dwelling  
18 plus such additional amount, not less than \$200 (which may  
19 be applied in whole or in part toward closing costs), as the  
20 Secretary may determine to be reasonable.

21 “(D) Upon the sale under this paragraph of any indi-  
22 vidual dwelling, such dwelling shall be released from the  
23 lien of the blanket mortgage. Until all of the individual  
24 dwellings in the property covered by the blanket mortgage  
25 have been sold, the mortgagor shall hold and operate the



1 dwellings remaining unsold at any given time, in such  
2 manner and under such terms as the Secretary may prescribe,  
3 as though they constituted rental units.

4 “(E) Upon the sale under this paragraph of all the  
5 individual dwellings in the property covered by the blanket  
6 mortgage and the release of all individual dwellings from  
7 the lien of the blanket mortgage, the insurance of the blanket  
8 mortgage shall be terminated and no adjusted premium  
9 charge shall be charged by the Secretary upon such  
10 termination.

11 “(5) Where the Secretary has approved a plan of  
12 family unit ownership, the terms ‘single-family dwelling’,  
13 ‘single-family dwellings’, ‘individual dwelling’, and ‘individ-  
14 ual dwellings’ shall mean a family unit or family units,  
15 together with the undivided interest (or interests) in the  
16 common areas and facilities.

17 “(6) In addition to the assistance payments authorized  
18 under subsection (b), the Secretary may make such pay-  
19 ments to a mortgagee on behalf of a nonprofit organization  
20 which is a mortgagor under the provisions of paragraph  
21 (1) in an amount not exceeding the difference between the  
22 monthly payment for principal, interest, and mortgage  
23 insurance premium which the mortgagor is obligated to pay  
24 under the mortgage and the monthly payment for principal  
25 and interest such mortgagor would be obligated to pay if the



1 mortgage were to bear interest at the rate of 1 per centum  
2 per annum.”

3 (b) (1) Section 221 (d) (2) (A) of the National Hous-  
4 ing Act is amended by—

5 (A) striking out “not to exceed (i) \$12,500”  
6 and inserting in lieu thereof “not to exceed (i)  
7 \$15,000 (or \$17,500, in the case of a family with five or  
8 more persons)”; and

9 (B) striking out “not to exceed \$15,000” in the  
10 second proviso and inserting in lieu thereof “not to  
11 exceed \$17,500 (or \$20,000 in the case of a family  
12 with five or more persons)”.

13 (2) Section 221 (d) (2) (B) of such Act is amended  
14 by—

15 (A) inserting “, in cash or its equivalent” before  
16 the semicolon after the words “acquisition cost” in the  
17 first proviso; and

18 (B) inserting before the semicolon at the end  
19 thereof the following: “: *Provided further*, That, if the  
20 mortgagor is the owner and an occupant of the property,  
21 such mortgagor shall to the maximum extent feasible  
22 be given the opportunity to contribute the value of his  
23 labor as equity in such dwelling”.

24 (c) (1) Section 221 (h) (1) of such Act is amended



1 by adding at the end thereof the following new sentence:  
2 “No mortgage shall be insured under this paragraph after  
3 the effective date of section 101 of the Housing and Urban  
4 Development Act of 1968, except pursuant to a commitment  
5 to insure issued before such date.”

6 (2) The purchase of any individual dwelling, sold by  
7 a nonprofit organization pursuant to the provisions of section  
8 221 (h) (5) of the National Housing Act after the effective  
9 date of this section, may be financed with a mortgage in-  
10 sured under the provisions of section 235 (j) (4) of such  
11 Act, but such mortgage shall bear interest at the rate pro-  
12 vided in section 235 (j) (2) (c) of such Act.

13 (d) Section 212 (a) of the National Housing Act is  
14 amended by inserting “or section 235 (j) (1)” after “sub-  
15 section (h) (1)” each place it appears.

16 (e) The Secretary of Housing and Urban Develop-  
17 ment is authorized to provide, or contract with public or  
18 private organizations to provide, such budget, debt manage-  
19 ment, and related counseling services to mortgagors whose  
20 mortgages are insured under section 235 (i) or 235 (j)  
21 (4) of the National Housing Act as he determines to be  
22 necessary to assist such mortgagors in meeting the respon-  
23 sibilities of homeownership. There are authorized to be  
24 appropriated such sums as may be necessary to carry out  
25 the provisions of this subsection.



## CREDIT ASSISTANCE

SEC. 102. (a) Title II of the National Housing Act is amended by adding after section 236 (as added by section 201 of this Act) the following new section:

## "SPECIAL MORTGAGE INSURANCE ASSISTANCE

"SEC. 237. (a) The purpose of this section is to help provide adequate housing for families of low and moderate income, including those who, for reasons of credit history, irregular income patterns caused by seasonal employment, or other factors, are unable to meet the credit requirements of the Secretary for the purchase of a single-family home financed by a mortgage insured under section 203, 220, 221, 234, or 235 (j) (4), but who, through the incentive of homeownership and counseling assistance, appear to be able to achieve homeownership.

"(b) The Secretary is authorized upon application by the mortgagee to insure under this section any mortgage meeting the requirements of this section.

"(c) To be eligible for insurance under this section, a mortgage shall—

"(1) meet the requirements of section 203, 220 (d) (3) (A), 221 (d) (2), 221 (i), 234 (c), or 235 (j) (4) except as such requirements are modified by this section;

"(2) involve a principal obligation (including such



1 initial service charges, appraisal, inspection, and other  
2 fees as the Secretary shall approve) in an amount not to  
3 exceed \$15,000: *Provided*, That the Secretary may in-  
4 crease the amount to not exceed \$17,500 in any geo-  
5 graphical area where he finds that cost levels so require:  
6 *Provided further*, That no mortgage meeting the re-  
7 quirements of section 203 (h) or 203 (i) shall be eligible  
8 for insurance under this section if its principal obligation  
9 is in excess of the maximum limits prescribed in such  
10 subsections;

11 “(3) be executed by a mortgagor who the Secre-  
12 tary has determined, after a full and complete study of  
13 the case, would not be an acceptable credit risk for mort-  
14 gage insurance purposes under section 203, 220, 221,  
15 234, or 235 (j) (4), because of his credit standing, debt  
16 obligations, total annual income, or income characteris-  
17 ties, but who the Secretary is satisfied would be a reason-  
18 ably satisfactory credit risk, consistent with the objec-  
19 tives stated in subsection (a), if he were to receive  
20 budget, debt management, and related counseling: *Pro-*  
21 *vided*, That, in determining whether the mortgagor is a  
22 reasonably satisfactory credit risk, the Secretary shall  
23 review credit histories of applicants giving special con-  
24 sideration to those delinquent accounts which were ulti-  
25 mately paid by the applicant and to extenuating factors



1 which may have caused credit accounts of the applicant  
2 to become delinquent; and the Secretary shall also give  
3 special consideration to income characteristics of appli-  
4 cants whose total income over the two years prior to  
5 their applications has remained at levels of eligibility  
6 (as required under paragraph (4) of this subsection),  
7 but who, because of the character of their seasonal em-  
8 ployment or for other reasons, have not maintained con-  
9 tinuous employment under one employer during that  
10 time; and

11 “(4) require monthly payments which, in combi-  
12 nation with local real estate taxes, do not exceed 25 per  
13 centum of the applicant’s income, based on his aver-  
14 age monthly income during the year prior to his applica-  
15 tion or the average monthly income during the three  
16 years prior to his application, whichever is higher.

17 “(d) The Secretary shall give preference in approving  
18 mortgage insurance applications under this section to families  
19 living in public housing units, especially those families re-  
20 quired to leave public housing because their incomes have  
21 risen beyond the maximum prescribed income limits, and  
22 families eligible for residence in public housing who have  
23 been displaced from federally assisted urban renewal areas.

24 “(e) The Secretary is authorized to provide, or contract



1 with public or private organizations to provide, such budget,  
 2 debt management, and related counseling services to mort-  
 3 gagors whose mortgages are insured under this section, as he  
 4 determines to be necessary to meet the objectives of this sec-  
 5 tion. The Secretary may also provide such counseling to  
 6 otherwise eligible families who lack sufficient funds to supply  
 7 a downpayment to help them to save an amount necessary  
 8 for that purpose.

9 “(f) The aggregate principal balance of all mortgages  
 10 insured under this section and outstanding at one time shall  
 11 not exceed \$200,000,000.

12 “(g) There are authorized to be appropriated such sums  
 13 as may be necessary to carry out the provisions of subsec-  
 14 tion (e) of this section.”

15 (b) Section 226 of the National Housing Act is amended  
 16 by inserting “235 (i), 237,” after “234,”.

17 RELAXATION OF MORTGAGE INSURANCE REQUIREMENTS

18 IN CERTAIN URBAN NEIGHBORHOODS

19 SEC. 103. (a) Section 223 of the National Housing Act  
 20 is amended by adding at the end thereof a new subsection as  
 21 follows:

22 “(e) Notwithstanding any of the provisions of this title,  
 23 and without regard to limitations upon eligibility contained in  
 24 any section of this title, the Secretary is authorized, upon ap-  
 25 plication by the mortgagee, to insure under any section of



1 this title, a mortgage executed in connection with the repair,  
 2 rehabilitation, construction, or purchase of property located  
 3 in an older, declining urban area in which the conditions are  
 4 such that one or more of the eligibility requirements appli-  
 5 cable to the section of this title under which insurance is  
 6 sought could not be met, if the Secretary finds that (1) the  
 7 area is reasonably viable, giving consideration to the need for  
 8 providing adequate housing for families of low and moderate  
 9 income in such area, and (2) the property is an acceptable  
 10 risk in view of such consideration. The insurance of a mort-  
 11 gage pursuant to this subsection shall be the obligation of the  
 12 Special Risk Insurance Fund.”

13 (b) Section 203 (1) of such Act is repealed.

14 SPECIAL RISK INSURANCE FUND

15 SEC. 104. (a) Title II of the National Housing Act is  
 16 amended by adding after section 237 (as added by section  
 17 102 of this Act) the following new section:

18 “PAYMENT OF INSURANCE—SPECIAL RISK INSURANCE  
 19 FUND

20 “SEC. 238. (a) (1) Any mortgagee under a mortgage  
 21 insured under section 235 (i), 235 (j) (4), or 237 of this title  
 22 shall be entitled to receive the benefits of the insurance as  
 23 provided in section 204 (a) with respect to mortgages insured  
 24 under section 203. The provisions of subsections (b), (c),  
 25 (d), (g), (j), and (k) of section 204 shall be applicable to



1 mortgages insured under section 235 (i), 235 (j) (4), or  
2 237, except that all references therein to the 'Mutual Mort-  
3 gage Insurance Fund' shall be construed to refer to the  
4 'Special Risk Insurance Fund' established by subsection (b)  
5 of this section, and all references therein to section 203 shall  
6 be construed to refer to the appropriate section.

7       “(2) Any mortgagee under a mortgage insured under  
8 section 235 (j) (1) or 236 shall be entitled to receive the  
9 benefits of insurance provided in section 207 (g) with  
10 respect to mortgages insured under section 207. The pro-  
11 visions of subsections (d), (e), (h), (i), (j), (k), (l),  
12 and (n) of section 207 shall be applicable to mortgages in-  
13 sured under section 235 (j) (1) or 236, except that all  
14 references therein to the 'General Insurance Fund' shall be  
15 construed to refer to the 'Special Risk Insurance Fund' and  
16 the premium charge provided in section 207 (d) shall be  
17 payable only in cash or debentures of the Special Risk  
18 Insurance Fund.

19       “(3) In lieu of the amount of insurance benefits com-  
20 puted pursuant to paragraph (1) or (2) of this subsection,  
21 the Secretary, in his discretion and in accordance with such  
22 regulations as he may prescribe, may (with respect to any  
23 mortgage loan acquired by him) compute and pay insur-  
24 ance benefits to the mortgagee in a total amount equal to the  
25 unpaid principal balance of the loan plus any accrued inter-



1 est and any advances approved by the Secretary and made  
2 previously by the mortgagee under the provisions of the  
3 mortgage.

4 “ (b) There is hereby created a ‘Special Risk Insurance  
5 Fund’ (hereinafter referred to as the ‘fund’) which shall be  
6 used by the Secretary as a revolving fund for carrying out  
7 the mortgage insurance obligations of sections 223 (e) , 235,  
8 236, and 237, and the Secretary is hereby authorized to  
9 advance to such fund the sum of \$5,000,000 from the Gen-  
10 eral Insurance Fund established pursuant to the provisions  
11 of section 519. Such advance shall be repayable at such  
12 times and at such rates of interest as the Secretary deems  
13 appropriate. Premium charges, adjusted premium charges,  
14 inspection and other fees, service charges, and any other  
15 income received by the Secretary under such sections, to-  
16 gether with all earnings on the assets of the fund, shall be  
17 credited to the fund. All payments made pursuant to claims  
18 of mortgagees with respect to mortgages insured under sec-  
19 tions 235, 236, and 237 or pursuant to section 223 (e) , cash  
20 adjustments, the principal of and interest paid on debentures  
21 which are the obligation of the fund, expenses incurred in  
22 connection with or as a consequence of the acquisition and  
23 disposal of property acquired under such sections, and all  
24 administrative expenses in connection with the mortgage  
25 insurance operations under such sections shall be paid out of



1 the fund. There is authorized to be appropriated such sums  
2 as may be needed from time to time to cover losses sustained  
3 by the fund in carrying out the mortgage insurance obliga-  
4 tions of sections 223 (e) , 235, 236, and 237. Moneys in the  
5 fund not needed for current operations of the fund shall be  
6 deposited with the Treasurer of the United States to the  
7 credit of the fund or invested in bonds or other obligations  
8 of, or in bonds or other obligations guaranteed by, the United  
9 States. The Secretary, with the approval of the Secretary of  
10 the Treasury, may purchase in the open market debentures  
11 which are the obligation of the fund. Such purchases shall be  
12 made at a price which will provide an investment yield of  
13 not less than the yield obtained from other investments au-  
14 thorized by this section. Debentures so purchased shall be  
15 canceled and not reissued.”

16 (b) Section 224 of the National Housing Act is amended  
17 by striking out “or section 233” and inserting in lieu thereof  
18 “section 233, or section 238”.

19 CONDOMINIUM AND COOPERATIVE OWNERSHIP FOR LOW  
20 AND MODERATE INCOME FAMILIES

21 SEC. 105. (a) Section 221 of the National Housing  
22 Act is amended by adding at the end thereof two new sub-  
23 sections as follows:

24 “(i) (1) The Secretary is authorized, with respect to  
25 any project involving a mortgage insured under subsection



1 (d) (3) which bears interest at the below-market interest  
2 rate prescribed in the proviso of subsection (d) (5), to per-  
3 mit a conversion of the ownership of such project to a plan  
4 of family unit ownership. Under such plan, each family  
5 unit shall be eligible for individual ownership and provision  
6 shall be included for the sale of the family units, together  
7 with an undivided interest in the common areas and facilities  
8 which serve the project, to low or moderate income pur-  
9 chasers. The Secretary shall obtain such agreements as he  
10 determines to be necessary to assure continued maintenance  
11 of the common areas and facilities. Upon such sale, the family  
12 unit and the undivided interest in the common areas shall  
13 be released from the lien of the project mortgage.

14 “(2) (A) The Secretary is authorized, upon applica-  
15 tion by the mortgagee, to insure under this subsection mort-  
16 gages financing the purchase of individual family units under  
17 the plan prescribed in paragraph (1). Commitments may be  
18 issued by the Secretary for the insurance of such mortgages  
19 prior to the date of their execution or disbursement thereon,  
20 upon such terms and conditions as the Secretary may pre-  
21 scribe. To be eligible for such insurance, the mortgage  
22 shall—

23 “(i) be executed by a mortgagor having an income  
24 within the limits prescribed by the Secretary for occu-  
25 pants of projects financed with a mortgage insured un-



1       der subsection (d) (3) which bears interest at the  
2       below-market rate prescribed in the proviso of subsec-  
3       tion (d) (5) ;

4           “(ii) involve a principal obligation (including such  
5       initial service charges, appraisal, inspection, and other  
6       fees as the Secretary shall approve) in an amount not to  
7       exceed the Secretary’s estimate of the appraised value  
8       of the family unit, including the mortgagor’s interest in  
9       the common areas and facilities, as of the date the mort-  
10      gage is accepted for insurance ;

11          “(iii) bear interest at a rate determined by the  
12       Secretary (which may vary in accordance with the  
13       regulations of the Secretary promulgated pursuant to  
14       the last sentence of paragraph (4) of this subsection)  
15       but no less than the below-market rate in effect under  
16       the proviso of subsection (d) (5) at the date of com-  
17       mitment for insurance ; and

18          “(iv) provide for complete amortization by periodic  
19       payments within such term as the Secretary may pre-  
20       scribe, but not to exceed the lesser of forty years or  
21       three-quarters of the Secretary’s estimate of the re-  
22       maining economic life of the building improvements.

23          “(B) The price for which the individual family unit  
24       is sold to the low or moderate income purchaser shall not  
25       exceed the appraised value of the property, as determined



1 under subparagraph (A) (ii), except that the purchaser  
2 shall be required to pay on account of the property at the  
3 time of purchase at least such amount, in cash or its equiva-  
4 lent (not less than 3 per centum of such price which may  
5 be applied in whole or in part toward closing costs), as the  
6 Secretary may determine to be reasonable and appropriate.

7 “(3) Upon the sale of all of the family units covered  
8 by the project mortgage, and the release of all of the family  
9 units (including the undivided interest allocable to each unit  
10 in the common areas and facilities) from the lien of the proj-  
11 ect mortgage, the insurance of the project mortgage shall be  
12 terminated and no adjusted premium charge shall be collected  
13 by the Secretary upon such termination.

14 “(4) Any mortgage covering an individual family unit  
15 insured under this paragraph shall contain a provision that,  
16 if the original mortgagor does not continue to occupy the  
17 property, the interest rate shall increase to the highest rate  
18 permissible under this section and the regulations of the  
19 Secretary effective at the time the commitment was issued  
20 for the insurance of the project mortgage; except that the  
21 requirement for an increase in interest rate shall not be appli-  
22 cable if the property is sold and the purchaser is (i) a non-  
23 profit purchaser approved by the Secretary, or (ii) a low  
24 or moderate income purchaser who has an income within  
25 the limits prescribed by the Secretary for occupants of proj-



1   ects financed with a mortgage insured under subsection  
 2   (d) (3) which bears interest at the below-market rate pre-  
 3   scribed in the proviso of subsection (d) (5). The mortgage  
 4   shall also contain a provision that, if the Secretary determines  
 5   the annual income of the original mortgagor (or a purchaser  
 6   as described in clause (ii) of this paragraph) has increased  
 7   to an amount enabling payment of a greater rate of interest,  
 8   the interest rate of the individual mortgage may be increased  
 9   up to the highest rate permissible under the regulations of  
 10  the Secretary for mortgages insured under this section effec-  
 11  tive at the time the commitment was issued for the insurance  
 12  of the mortgage.

13       “(5) For the purpose of this subsection, the term—

14           “(i) ‘mortgage’, when used in relation to a mort-  
 15       gage insured under paragraph (2) of this subsection,  
 16       includes a first mortgage given to secure the unpaid  
 17       purchase price of a fee interest in, or a long-term lease-  
 18       hold interest in, a one-family unit in a multifamily proj-  
 19       ect and an individed interest in the common areas and  
 20       facilities which serve the project; and

21           “(ii) ‘common areas and facilities’ includes the  
 22       land and such commercial, community, and other facili-  
 23       ties as are approved by the Secretary.

24       “(j) (1) The Secretary is authorized, with respect to  
 25  any rental project involving a mortgage insured under sub-



1 section (d) (3), which bears interest at the below-market  
2 interest rate prescribed in the proviso of subsection (d)  
3 (5), to permit a conversion of the ownership of such proj-  
4 ect to a cooperative approved by the Secretary. Member-  
5 ship in such cooperative shall be made available only to  
6 those families having an income within the limits prescribed  
7 by the Secretary for occupants of projects financed with a  
8 mortgage insured under subsection (d) (3) which bears  
9 interest at such below-market rate: *Provided*, That families  
10 residing in the rental project at the time of its conversion  
11 to a cooperative who do not meet such income limits may  
12 be permitted to become members in the cooperative under  
13 such special terms and conditions as the Secretary may  
14 prescribe.

15 “(2) The Secretary is authorized, upon application by  
16 the mortgagee, to insure under this subsection cooperative  
17 mortgages financing the purchase of projects meeting the  
18 requirements of paragraph (1). Commitments may be issued  
19 by the Secretary for the insurance of such mortgages prior  
20 to the date of their execution or disbursement thereon, upon  
21 such terms and conditions as the Secretary may prescribe. To  
22 be eligible for such insurance, the mortgage shall—

23 “(i) involve a principal obligation (including such  
24 initial service charges, appraisal, inspection, and other  
25 fees as the Secretary shall approve) in an amount



1 not exceeding the appraised value of the property for  
 2 continued use as a cooperative, which value shall be  
 3 based upon a mortgage amount on which the debt  
 4 service can be met from the income of the property  
 5 when operated on a nonprofit basis, after the payment  
 6 of all operating expenses, taxes, and required reserves;

7 “(ii) bear interest at the below-market rate pre-  
 8 scribed in the proviso of subsection (d) (5) ; and

9 “(iii) provide for complete amortization within  
 10 such terms as the Secretary may prescribe.”

11 (b) Section 221 (g) (1) of such Act is amended by  
 12 striking out “or paragraph (5) of subsection (h) of this  
 13 section” and inserting in lieu thereof “paragraph (5) of  
 14 subsection (h) of this section or paragraph (2) of subsec-  
 15 tion (i) of this section”.

16 (c) Section 221 (g) (2) of such Act is amended by  
 17 striking out “paragraph (1) of subsection (h)” and insert-  
 18 ing in lieu thereof “paragraph (1) of subsection (h) or  
 19 paragraph (2) of subsection (j) of this section,”.

20 ASSISTANCE TO NONPROFIT SPONSORS OF LOW AND

21 MODERATE INCOME HOUSING

22 SEC. 106. (a) The Secretary of Housing and Urban  
 23 Development is authorized to provide, or contract with pub-  
 24 lic or private organizations to provide, information, advice,  
 25 and technical assistance with respect to the construction, re-



1 habilitation, and operation by nonprofit organizations of  
2 housing for low or moderate income families. Assistance by  
3 the Secretary may include—

4           (1) the assembly, correlation, publication, and dis-  
5       semination of information with respect to the construc-  
6       tion, rehabilitation, and operation of low and moderate  
7       income housing, and

8           (2) providing advice and technical assistance with  
9       respect to the construction, rehabilitation, and operation  
10      of low and moderate income housing.

11       (b) (1) The Secretary is authorized to make loans to  
12 nonprofit organizations for the necessary expenses, prior to  
13 construction, in planning, and obtaining financing for, the re-  
14 habilitation or construction of housing for low or modern in-  
15 come families under any federally assisted program. Such  
16 loans shall be made without interest and shall not exceed 80  
17 per centum of the reasonable costs expected to be incurred in  
18 planning, and in obtaining financing for, such housing prior  
19 to the availability of financing, including, but not limited to,  
20 preliminary surveys and analyses of market needs, prelimi-  
21 nary site engineering and architectural fees, site acquisition,  
22 application and mortgage commitment fees, and construction  
23 loan fees and discounts. The Secretary shall require repay-  
24 ment of loans made under this subsection, under such terms  
25 and conditions as he may require, upon completion of the



1 project or sooner, and may cancel any part or all of a loan as  
2 he may determine cannot be recovered from the proceeds of  
3 any permanent loan made to finance the rehabilitation or  
4 construction of the housing.

5 (2) The Secretary shall determine prior to the making  
6 of any loan that the nonprofit organization meets such re-  
7 quirements with respect to financial responsibility and stabil-  
8 ity as he may prescribe.

9 (3) There is hereby authorized to be appropriated for  
10 the purposes of this subsection not to exceed \$7,500,000. All  
11 funds appropriated shall be deposited in a fund which shall  
12 be known as the Low and Moderate Income Sponsor Fund,  
13 which shall be available without fiscal year limitation and  
14 be administered by the Secretary as a revolving fund for  
15 carrying out the purposes of this subsection. Sums received  
16 in repayment of loans made under this subsection shall be  
17 deposited in such fund.

18 TITLE II—RENTAL HOUSING FOR LOW AND  
19 MODERATE INCOME FAMILIES

20 PART A—PRIVATE HOUSING

21 RENTAL AND COOPERATIVE HOUSING FOR LOW AND MODER-  
22 ATE INCOME FAMILIES

23 SEC. 201. (a) Title II of the National Housing Act is  
24 amended by adding after section 235 (as added by section  
25 101 of this Act) the following new section:



1 “RENTAL AND COOPERATIVE HOUSING FOR LOW AND MOD-  
2 ERATE INCOME FAMILIES

3 “SEC. 236. (a) For the purpose of reducing rentals for  
4 low and moderate income families, the Secretary is author-  
5 ized to make, and to contract to make, periodic interest  
6 reduction payments on behalf of the owner of a rental  
7 housing project designed for occupancy by low and moderate  
8 income families, which shall be accomplished through pay-  
9 ments to mortgagees holding mortgages meeting the special  
10 requirements specified in this section.

11 “(b) Interest reduction payments with respect to a  
12 project shall only be made during such time as the project  
13 is operated as a rental housing project and is subject to a  
14 mortgage which meets the requirements of, and is insured  
15 under, subsection (j) of this section.

16 “(c) The interest reduction payments to a mortgagee  
17 by the Secretary on behalf of a project owner shall be in  
18 an amount not exceeding the difference between the monthly  
19 payment for principal, interest, and mortgage insurance  
20 premium which the project owner as a mortgagor is obligated  
21 to pay under the mortgage and the monthly payment for  
22 principal and interest such project owner would be obligated  
23 to pay if the mortgage were to bear interest at the rate of  
24 1 per centum per annum.

25 “(d) The Secretary may include in the payment to the



1 mortgagee such amount, in addition to the amount computed  
2 under subsection (c), as he deems appropriate to reimburse  
3 the mortgagee for its expenses in handling the mortgage.

4 “(e) As a condition for receiving the benefits of in-  
5 terest reduction payments, the project owner shall operate  
6 the project in accordance with such requirements with re-  
7 spect to tenant eligibility and rents as the Secretary may  
8 prescribe. Procedures shall be adopted by the Secretary  
9 for review of tenant incomes at intervals of two years (or at  
10 shorter intervals where the Secretary deems it desirable).

11 “(f) For each dwelling unit there shall be established  
12 with the approval of the Secretary (1) a basic rental charge  
13 determined on the basis of operating the project with pay-  
14 ments of principal and interest due under a mortgage bear-  
15 ing interest at the rate of 1 per centum per annum; and (2)  
16 a fair market rental charge determined on the basis of op-  
17 erating the project with payments of principal, interest, and  
18 mortgage insurance premium which the mortgagor is obli-  
19 gated to pay under the mortgage covering the project. The  
20 rental for each dwelling unit shall be at the basic rental  
21 charge or such greater amount, not exceeding the fair mar-  
22 ket rental charge, as represents 25 per centum of the tenant’s  
23 income.

24 “(g) The project owner shall, as required by the Sec-  
25 retary, accumulate, safeguard, and periodically pay to the



1 Secretary all rental charges collected in excess of the basic  
2 rental charges. Such excess charges shall be deposited by  
3 the Secretary in a fund which may be used by him as a re-  
4 volving fund for the purpose of making interest reduction  
5 payments with respect to any rental housing project cov-  
6 ered by a mortgage insured under this section, subject to  
7 limits approved in appropriation acts pursuant to subsection  
8 (i). Moneys in such fund not needed for current operations  
9 may be invested in bonds or other obligations of the United  
10 States or in bonds or other obligations guaranteed as to prin-  
11 cipal and interest by the United States.

12 “(h) In addition to establishing the requirements speci-  
13 fied in subsection (e), the Secretary is authorized to make  
14 such rules and regulations, to enter into such agreements,  
15 and to adopt such procedures as he may deem necessary or  
16 desirable to carry out the provisions of this section.

17 “(i) There are authorized to be appropriated such sums  
18 as may be necessary to carry out the provisions of this sec-  
19 tion, including such sums as may be necessary to make  
20 interest reduction payments under contracts entered into  
21 under this section. The aggregate amount of contracts to  
22 make such payments shall not exceed amounts approved in  
23 appropriation Acts, and payments pursuant to such contracts  
24 shall not exceed \$75,000,000 per annum prior to July 1,



1 1969, which maximum dollar amount shall be increased by  
2 \$100,000,000 on July 1, 1969, by \$125,000,000 on July 1,  
3 1970, by \$150,000,000 on July 1, 1971, and by \$150,-  
4 000,000 on July 1, 1972.

5 “(j) (1) The Secretary is authorized, upon application  
6 by the mortgagee, to insure a mortgage (including advances  
7 on such mortgage during construction) which meets the re-  
8 quirements of this subsection. Commitments for the insur-  
9 ance of such mortgages may be issued by the Secretary prior  
10 to the date of their execution or disbursement thereon, upon  
11 such terms and conditions as he may prescribe.

12 “(2) As used in this subsection—

13 “(A) the terms ‘family’ and ‘families’ shall have  
14 the same meaning as in section 221;

15 “(B) the term ‘elderly or handicapped families’  
16 shall have the same meaning as in section 202 of the  
17 Housing Act of 1959; and

18 “(C) the terms ‘mortgage’, ‘mortgagee’, and ‘mort-  
19 gator’ shall have the same meaning as in section 201.

20 “(3) To be eligible for insurance under this subsection,  
21 a mortgage shall meet the requirements specified in subsec-  
22 tions (d) (1) and (d) (3) of section 221, except as such  
23 requirements are modified by this subsection. In the case of  
24 a project financed with a mortgage insured under this sub-  
25 section which involves a mortgagor other than a cooperative



1 or a private nonprofit corporation or association and which  
2 is sold to a cooperative or a nonprofit corporation or associa-  
3 tion, the Secretary is further authorized to insure under this  
4 subsection a mortgage given by such purchaser in an amount  
5 not exceeding the appraised value of the property at the time  
6 of purchase, which value shall be based upon a mortgage  
7 amount on which the debt service can be met from the  
8 income of the property when operated on a nonprofit basis,  
9 after payment of all operating expenses, taxes, and required  
10 reserves.

11 “(4) The mortgage to be insured under this subsection  
12 shall—

13 “(A) be executed by a private mortgagor eligible  
14 under subsection (d) (3) or (e) of section 221;

15 “(B) bear interest (exclusive of premium charges  
16 for insurance and service charges, if any) at not to ex-  
17 ceed such per centum per annum, on the amount of the  
18 principal obligation outstanding at any time, as the Sec-  
19 retary finds necessary to meet the mortgage market; and

20 “(C) provide for complete amortization by periodic  
21 payments within such term as the Secretary may  
22 prescribe.

23 “(5) The property or project shall—

24 “(A) comply with such standards and conditions as



1       (3) Section 227 (c) of such Act is amended by striking  
2 out "or section 233 (b) (2)" each place it appears and in-  
3 serting in lieu thereof "section 233, or section 236".

4       (c) The Secretary of Housing and Urban Develop-  
5 ment is authorized, upon such terms and conditions as he may  
6 prescribe, to transfer to section 236 (j) of the National  
7 Housing Act the insurance of a mortgage which has not  
8 been finally endorsed for insurance under section 221 (d) (3)  
9 of such Act and which has been approved for the below  
10 market interest rate prescribed in the proviso of section  
11 221 (d) (5) of such Act.

12       (d) The Secretary of Housing and Urban Develop-  
13 ment is authorized, upon such terms and conditions as he  
14 may prescribe, to insure under section 236 (j) of the Na-  
15 tional Housing Act a mortgage meeting the requirements of  
16 such section given to refinance a mortgage loan which was  
17 made under section 202 of the Housing Act of 1959: *Pro-*  
18 *vided*, That the application for such insurance is filed with  
19 the Secretary on or before the date of project completion,  
20 or within such reasonable time thereafter as the Secretary  
21 may permit.

22       (e) (1) Section 101 (g) of the Housing and Urban  
23 Development Act of 1965 is amended by striking out "and  
24 231 (c) (3)" and inserting in lieu thereof ", 231 (c) (3),  
25 and 236".



(2) Section 101 (j) (1) of such Act is amended by—

(A) striking out “and” at the end of subparagraph

(B) ;

(B) striking out the period at the end of subparagraph (C) and inserting in lieu thereof “; and”; and

(C) inserting a new subparagraph (D) to read as follows:

“(D) a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited dividend legal entity, or a cooperative housing corporation, which is a mortgagor under a mortgage insured under section 236 (j) of the National Housing Act which has been approved for receiving the benefits of this section: *Provided*, That payments shall not be made with respect to more than 20 per centum of the dwelling units in any property so financed.”

INCREASED AUTHORIZATION FOR THE RENT SUPPLEMENT  
PROGRAM

SEC. 202. Section 101 (a) of the Housing and Urban Development Act of 1965 is amended by striking out everything after the word “exceed” the second time the word appears in the third sentence and inserting in lieu thereof the following: “\$150,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by



1 \$40,000,000 on July 1, 1969, and by \$100,000,000 on  
2 July 1 in each of the years 1970, 1971, and 1972.”

3 PART B—LOW-RENT PUBLIC HOUSING

4 INCREASED LOW-RENT PUBLIC HOUSING AUTHORIZATION

5 SEC. 203. (a) Section 10(e) of the United States  
6 Housing Act of 1937 is amended by striking out in the  
7 first sentence “\$366,250,000 per annum, which limit shall  
8 be increased by \$47,000,000 on the date of enactment of  
9 the Housing and Urban Development Act of 1965, and by  
10 further amounts of \$47,000,000 on July 1 in each of the  
11 years 1966, 1967, and 1968, respectively,” and inserting  
12 in lieu thereof the following: “\$554,250,000 per annum,  
13 which limit shall be increased by \$100,000,000 on the date  
14 of enactment of the Housing and Urban Development Act  
15 of 1968 and by further amounts of \$150,000,000 on July 1  
16 in each of the years 1969 and 1970 and \$200,000,000 on  
17 July 1 in each of the years 1971 and 1972,”.

18 (b) Section 20 of such Act is amended by—

19 (1) striking out “not to exceed \$1,500,000,000”  
20 in the first sentence and inserting in lieu thereof “which  
21 shall not, unless authorized by the President, exceed  
22 \$1,500,000,000”; and

23 (2) inserting after the first sentence the following:  
24 “For the purpose of determining obligations incurred  
25 to make loans pursuant to this Act against any limita-



tion otherwise applicable with respect to such loans, the Secretary shall estimate the maximum amount to be loaned at any one time pursuant to loan agreements then outstanding with public housing agencies.”.

#### UPGRADING MANAGEMENT AND SERVICES IN PUBLIC

#### HOUSING PROJECTS

SEC. 204. Section 15 of the United States Housing Act of 1937 is amended by adding at the end thereof the following new paragraph:

“(10) The Secretary is authorized to enter into contracts to make grants to public housing agencies to assist, where necessary, in financing tenant services for families living in low-rent housing projects. There is authorized to be appropriated for this purpose not to exceed \$20,000,000 in fiscal year 1969 and such amounts in subsequent fiscal years as may be necessary. Any amounts so appropriated shall remain available until expended.”

#### PURCHASE OF UNITS BY TENANTS

SEC. 205. Section 15 (9) of the United States Housing Act of 1937 is amended by striking out “which is suitable by reason of its detached or semidetached construction” and inserting in lieu thereof “, if the property to be acquired is sufficiently separable from other property retained by the public housing agency to make it suitable”.



1 PUBLIC HOUSING IN INDIAN AREAS

2 SEC. 206. (a) Section 1 of the United States Housing  
3 Act of 1937 is amended by striking out “urban and rural  
4 nonfarm” in the first sentence and inserting in lieu thereof  
5 “urban, rural nonfarm, and Indian”.

6 (b) Section 10 (a) of such Act is amended by inserting  
7 “or Indian” after “nonfarm” in the fourth proviso.

8 TITLE III—FEDERAL HOUSING ADMINISTRA-  
9 TION INSURANCE OPERATIONS

10 MORTGAGE INSURANCE PREMIUMS FOR SERVICEMEN AND  
11 THEIR WIDOWS

12 SEC. 301. Section 222 of the National Housing Act is  
13 amended by—

14 (1) striking out “Secretary of the Treasury” each  
15 place it appears and inserting in lieu thereof “Secretary  
16 of Transportation”; and

17 (2) adding at the end thereof two new subsections  
18 as follows:

19 “(f) The Secretary is authorized to transfer to this sec-  
20 tion the insurance on any mortgage covering a single-family  
21 dwelling or a one-family unit in a condominium project in-  
22 sured under this Act, if the mortgage indebtedness thereof  
23 has been assumed by a serviceman who at the time of as-  
24 sumption is the owner of the property and either occupies the  
25 property or certifies that his failure to do so is the result of



1 his military assignment, or, in the case of the United States  
2 Coast Guard, other assignment.

3 “(g) Where a serviceman dies while on active duty in  
4 the Armed Forces of the United States or in the United  
5 States Coast Guard, leaving a surviving widow as owner of  
6 the property, the period of ownership (as such term is used  
7 in subsection (c) of this section) shall extend for two years  
8 beyond the date of the serviceman’s death or until the date  
9 the widow disposes of the property, whichever date occurs  
10 first. The Secretary of Defense or the Secretary of Transpor-  
11 tation, as the case may be, shall notify such widow promptly  
12 following the serviceman’s death of the additional costs to be  
13 borne by the mortgagor following termination of the two-  
14 year period.”

15 FLEXIBLE INTEREST RATES FOR MORTGAGE INSURANCE

16 PROGRAMS

17 SEC. 302. (a) Section 203 (b) (5) of the National  
18 Housing Act is amended to read as follows:

19 “(5) Bear interest (exclusive of premium charges for  
20 insurance and service charges if any) at not to exceed such  
21 per centum per annum, on the amount of the principal obli-  
22 gation outstanding at any time, as the Secretary finds neces-  
23 sary to meet the mortgage market.”

24 (b) The second paragraph of section 207 (c) (3) of  
25 such Act is amended by striking out “at not to exceed  $5\frac{1}{4}$



1 per centum per annum on the amount of the principal obliga-  
2 tion outstanding at any time” and inserting in lieu thereof “at  
3 not to exceed such per centum per annum, on the amount of  
4 the principal obligation outstanding at any time, as the Sec-  
5 retary finds necessary to meet the mortgage market”.

6 (c) The first sentence of section 213 (d) of such Act is  
7 amended by striking out “ $5\frac{1}{4}$  per centum” and all that fol-  
8 lows preceding the period and inserting in lieu thereof “such  
9 per centum per annum, on the amount of the principal obli-  
10 gation outstanding at any time, as the Secretary finds neces-  
11 sary to meet the mortgage market”.

12 (d) The second sentence of section 220 (d) (4) of such  
13 Act is amended by striking out “5 per centum” and all that  
14 follows preceding the period and inserting in lieu thereof  
15 “such per centum per annum, on the amount of the principal  
16 obligation outstanding at any time, as the Secretary finds  
17 necessary to meet the mortgage market”.

18 (e) Section 220 (h) (2) (iii) of such Act is amended  
19 by striking out “a rate prescribed by the Secretary, but not  
20 in excess of 6 per centum per annum of the amount of  
21 the principal obligation outstanding at any time” and insert-  
22 ing in lieu thereof “such per centum per annum, on the  
23 amount of the principal obligation outstanding at any time,  
24 as the Secretary finds necessary to meet market conditions”.

25 (f) Section 221 (d) (5) of such Act is amended by



1 striking out “5 per centum” and all that follows preceding  
2 the first semicolon and inserting in lieu thereof “such per  
3 centum per annum, on the amount of the principal obligation  
4 outstanding at any time, as the Secretary finds necessary to  
5 meet the mortgage market”.

6 (g) Section 231 (c) (6) of such Act is amended by  
7 striking out “5 per centum” and all that follows preceding  
8 the semicolon and inserting in lieu thereof “such per centum  
9 per annum, on the amount of the principal obligation out-  
10 standing at any time, as the Secretary finds necessary to  
11 meet the mortgage market”.

12 (h) Section 232 (d) (3) (B) of such Act is amended  
13 by striking out “5 per centum” and all that follows preceding  
14 the period and inserting in lieu thereof “such per centum per  
15 annum, on the amount of the principal obligation outstanding  
16 at any time, as the Secretary finds necessary to meet the  
17 mortgage market”.

18 (i) The first sentence of section 234 (f) of such Act  
19 is amended by striking out “5 $\frac{1}{4}$  per centum” and all that  
20 follows preceding the period and inserting in lieu thereof  
21 “such per centum per annum, on the amount of the prin-  
22 cipal obligation outstanding at any time, as the Secretary  
23 finds necessary to meet the mortgage market”.

24 (j) Section 1101 (c) (4) of such Act is amended by  
25 striking out “5 per centum” and all that follows preceding



1 the period and inserting in lieu thereof "such per centum  
2 per annum, on the amount of the principal obligation out-  
3 standing at any time, as the Secretary finds necessary to  
4 meet the mortgage market".

5       MODIFICATIONS IN TERMS OF INSURED MORTGAGES

6               COVERING MULTIFAMILY PROJECTS

7       SEC. 303. Title II of the National Housing Act is  
8 amended by adding after section 238 (as added by section  
9 104 of this Act) the following section:

10      "MODIFICATIONS IN TERMS OF INSURED MORTGAGES

11               COVERING MULTIFAMILY PROJECTS

12      "SEC. 239. (a) The Secretary shall not consent to any  
13 request for an extension of the time for curing a default under  
14 any mortgage covering multifamily housing, as defined in the  
15 regulations of the Secretary, or for a modification of the terms  
16 of such mortgage, except in conformity with regulations pre-  
17 scribed by the Secretary in accordance with the provisions  
18 of this section. Except as otherwise hereinafter provided, such  
19 regulations shall require as a condition to the granting of any  
20 such request, that, during the period of such extension or  
21 modification, any part of the rents or other funds derived by  
22 the mortgagor from the property covered by the mortgage  
23 which is not required to meet actual and necessary expenses  
24 arising in connection with the operation of such property,  
25 including amortization charges under the mortgage, be held



1 in trust by the mortgagor and distributed only with the con-  
2 sent of the Secretary. In prescribing regulations under this  
3 section the Secretary may provide for the granting of con-  
4 sent to any request for an extension of the time for curing  
5 a default under any mortgage covering multifamily housing,  
6 or for a modification of the terms of such mortgage, without  
7 regard to the foregoing requirement, in any case or class of  
8 cases in which an exemption from such requirement does not  
9 (as determined by the Secretary) jeopardize the interests  
10 of the United States.

11 “(b) Whoever, as an owner of a property which is  
12 security for a mortgage described in subsection (a), or as  
13 a stockholder of a corporation owning such property, or as  
14 a beneficial owner under any business organization or trust  
15 owning such property, or as an officer, director, or agent of  
16 any such owner, (1) willfully uses or authorizes the use of  
17 any part of the rents or other funds derived from property  
18 covered by such mortgage in violation of a regulation pre-  
19 scribed by the Secretary under subsection (a), or (2) if  
20 such mortgage is determined, as provided in subsection (a),  
21 to be exempt from the requirement of any such regulation  
22 or is not otherwise covered by such regulation, willfully and  
23 knowingly uses or authorizes the use, while such mortgage is  
24 in default, of any part of the rents or other funds derived from  
25 the property covered by such mortgage for any purpose other



1 than to meet actual and necessary expenses arising in con-  
 2 nection with such property (including amortization charges  
 3 under the mortgage), shall be fined not more than \$5,000  
 4 or imprisoned not more than three years, or both."

#### 5 CONDOMINIUMS

6 SEC. 304. (a) Section 234 (c) of the National Housing  
 7 Act is amended by striking out "rental housing, and (3)"  
 8 in the first sentence and inserting in lieu thereof the following  
 9 new proviso: "rental housing: *Provided*, That a one-family  
 10 unit in a multifamily project involving eleven or less units  
 11 shall be eligible for insurance without having been covered  
 12 by a project mortgage, and (3)".

13 (b) Section 234 (c) of such Act is further amended by  
 14 striking out "(iii) 75 per centum" in the third sentence,  
 15 and inserting in lieu thereof "(iii) 80 per centum".

16 (c) Section 234 (f) of such Act is amended by strik-  
 17 ing "five" and inserting in lieu thereof "four".

#### 18 INSURANCE OF LOANS FOR PURCHASE OF FEE SIMPLE

#### 19 TITLE FROM LESSORS

20 SEC. 305. (a) Title II of the National Housing Act  
 21 is amended by adding after section 239 (as added by sec-  
 22 tion 303 of this Act) the following section:

23 "PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

24 "SEC. 240. (a) The Secretary is authorized, upon such  
 25 terms and conditions as he may prescribe, to make commit-



1   ments to insure and to insure loans made by financial insti-  
2   tutions for the purpose of financing purchases by home-  
3   owners of the fee simple title to property on which their  
4   homes are located.

5       “(b) As used in this section—

6           “(1) the term ‘financial institution’ means a lender  
7   approved by the Secretary as eligible for insurance  
8   under section 2 or a mortgagee approved under section  
9   203 (b) (1) ; and

10          “(2) the term ‘homeowner’ means a lessee under a  
11   long-term ground lease,

12       “(c) To be eligible for insurance under this section, a  
13   loan shall—

14           “(1) relate to property on which there is located  
15   a dwelling designed principally for a one-, two-, three-,  
16   or four-family residence;

17           “(2) not exceed the cost of purchasing the fee  
18   simple title, or \$10,000 per family unit, whichever is  
19   the lesser;

20           “(3) be limited to an amount which when added  
21   to any outstanding indebtedness related to the property  
22   (as determined by the Secretary) creates a total out-  
23   standing indebtedness which does not exceed the mort-  
24   gage limits prescribed in section 203 (b) ;



1           “(4) bear interest at not to exceed such per centum  
2       per annum, on the amount of the principal obligation out-  
3       standing at any time, as the Secretary finds necessary  
4       to meet market conditions, and such other charges (in-  
5       cluding such service charge, appraisal, inspection, and  
6       other fees) as may be approved by the Secretary;

7           “(5) have a maturity satisfactory to the Secretary,  
8       but not to exceed twenty years from the beginning of  
9       amortization of the loan or three-quarters of the remain-  
10      ing economic life of the home, whichever is the lesser;  
11      and

12          “(6) comply with such other terms, conditions, and  
13      restrictions as the Secretary may prescribe.

14          “(d) The provisions of paragraphs (3), (5), (6), (7),  
15      (8), and (10) of section 220 (h) shall be applicable to loans  
16      insured under this section and, as applied to loans insured  
17      under this section, references in those paragraphs to ‘home  
18      improvement loans’ and ‘this subsection’ shall be construed  
19      to refer to loans under this section.”

20          (b) Section 5 (c) of the Home Owners Loan Act of  
21      1933, as amended (12 U.S.C. 1464 (c) ), is amended by  
22      adding immediately before the last paragraph the following  
23      new paragraph:

24          “Notwithstanding any other provisions of this subsec-  
25      tion, an association may invest in loans or obligations, or in-



1 terests therein, as to which the association has the benefit of  
2 insurance under section 240 of the National Housing Act, or  
3 of a commitment or agreement therefor, and such invest-  
4 ments shall not be included in any percentage of assets or  
5 other percentage referred to in this subsection.”

6 EXTEND SECTION 221(d)(2) SALES HOUSING PROGRAM FOR

7 TWO-, THREE-, AND FOUR-FAMILY RESIDENCES TO ALL

8 LOW AND MODERATE INCOME FAMILIES

9 SEC. 306. Section 221 (d) (2) of the National Housing  
10 Act is amended by striking out “a displaced family” at the  
11 end of the first proviso and inserting in lieu thereof “the  
12 mortgagor”.

13 REMOVE DIVIDEND RESTRICTION FOR NONDWELLING FACIL-

14 ITIES IN SECTION 221 PROJECTS

15 SEC. 307. Section 221 (f) of the National Housing Act  
16 is amended by striking out in the first sentence all that fol-  
17 lows the word “mortgage” in the proviso and inserting in  
18 lieu thereof “: *Provided further*, That, in the case of a mort-  
19 gage which bears interest at the below-market interest rate  
20 prescribed in the proviso of subsection (d) (5), the pro-  
21 visions of section 220 (d) (B) (iv) shall only apply if the  
22 mortgagor waives the right to receive dividends on its equity  
23 investment in the portion thereof devoted to commercial  
24 facilities.”



1 SUPPLEMENTAL LOAN PROGRAM FOR PROJECTS FINANCED  
2 WITH FEDERAL HOUSING ADMINISTRATION INSURED  
3 MORTGAGES

4 SEC. 308. Section 223 of the National Housing Act is  
5 amended by adding after subsection (e) (as added by sec-  
6 tion 103 of this Act) the following new subsection:

7 “(f) (1) With respect to a multifamily project or group  
8 practice facility covered by a mortgage insured under any  
9 section or title of this Act, the Secretary is authorized, upon  
10 such terms and conditions as he may prescribe, to make  
11 commitments to insure, and to insure, supplementary loans  
12 (including advances during construction or improvement)  
13 made by financial institutions approved by the Secretary.  
14 As used in this subsection, ‘supplementary loan’ means a  
15 loan, advance of credit, or purchase of an obligation repre-  
16 senting a loan or advance of credit made for the purpose of  
17 financing improvements or additions to such project: *Pro-*  
18 *vided*, That a loan involving a nursing home covered by a  
19 mortgage insured under section 232 or a loan involving a  
20 group practice facility covered by a mortgage insured under  
21 title XI may also be made for the purpose of financing equip-  
22 ment to be used in the operation of such nursing home or  
23 facility.

24 “(2) To be eligible for insurance under this subsection,  
25 a supplementary loan shall—



1           “(A) be limited to 90 per centum of the amount  
2       which the Secretary estimates will be the value of such  
3       improvements, additions, and equipment, except that  
4       such amount, when added to the outstanding balance of  
5       the mortgage covering the project or facility, shall not  
6       exceed the maximum mortgage amount insurable under  
7       the section or title pursuant to which the mortgage cover-  
8       ing such project or facility is insured;

9           “(B) have a maturity satisfactory to the Secretary  
10      but not to exceed the remaining term of the mortgage;

11          “(C) bear interest (exclusive of premium charges  
12      for insurance and service charges, if any) at not to ex-  
13      ceed such per centum per annum, on the amount of the  
14      principal obligation outstanding at any time, as the  
15      Secretary finds necessary to meet market conditions.

16          “(D) be secured in such manner as the Secretary  
17      may require; and

18          “(E) contain such other terms, conditions, and  
19      restrictions as the Secretary may prescribe.

20          “(3) The provisions of subsections (d), (e), (g), (h),  
21      (i), (j), (k), (l), and (n) of section 207 shall be appli-  
22      cable to loans insured under this subsection, except that (A)  
23      all references to the term ‘mortgage’ shall be construed to  
24      refer to the term ‘loan’ as used in this subsection, (B) loans



1 involving projects covered by a mortgage insured under sec-  
 2 tion 213 that is the obligation of the Cooperative Manage-  
 3 ment Housing Insurance Fund shall be insured under and  
 4 shall be the obligation of such fund, and (C) loans involving  
 5 projects covered by a mortgage insured under section 236  
 6 shall be insured under and shall be the obligation of the Spe-  
 7 cial Risk Insurance Fund.”

8 HOME IMPROVEMENT LOANS—INCREASE IN MAXIMUM  
 9 MATURITY, FINANCE CHARGE, AND LOAN AMOUNT

10 SEC. 309. Section 2 (b) of the National Housing Act is  
 11 amended by—

12 (1) striking out “\$3,500” and inserting in lieu  
 13 thereof “\$5,000”;

14 (2) striking out “five years” and inserting in lieu  
 15 thereof “seven years”;

16 (3) striking out “\$5 discount” and inserting in lieu  
 17 thereof “\$5.50 discount”; and

18 (4) striking out “\$4 discount” and inserting in lieu  
 19 thereof “\$4.50 discount”.

20 EXPERIMENTAL HOUSING PROGRAM

21 SEC. 310. Section 233 of the National Housing Act is  
 22 amended by—

23 (1) striking out “of this title” immediately before  
 24 the semicolon in subsection (b) and inserting in lieu  
 25 thereof “or titles of this Act”; and



(2) striking out “of this title” in subsection (e) and inserting in lieu thereof “or title of this Act”.

TERM OF FEDERAL HOUSING ADMINISTRATION MORTGAGES  
FOR LAND DEVELOPMENT

SEC. 311. Section 1002 (d) (1) of the National Housing Act is amended by striking out “(A) in the case of a privately owned system for water or sewerage, and (B) in the case of a new community approved under section 1004”.

REHABILITATED MULTIFAMILY PROJECTS IN URBAN RE-  
NEWAL AREAS

SEC. 312. (a) Section 220 (d) (3) (B) (ii) of the National Housing Act is amended by inserting immediately preceding the semicolon at the end thereof “: *Provided further*, That the mortgage may involve the financing of the purchase of property which has been rehabilitated by a local public agency with Federal assistance pursuant to section 110 (c) (8) of the Housing Act of 1949, and, in such case, the foregoing limitations upon the amount of the mortgage shall be based upon the appraised value of the property as of the date the mortgage is accepted for insurance”.

(b) Section 221 (d) (3) (iii) of the National Housing Act is amended by inserting immediately preceding the colon at the end of the first proviso “: *Provided further*, That the mortgage may involve the financing of the purchase of prop-



erty which has been rehabilitated by a local public agency with Federal assistance pursuant to section 110(c) (8) of the Housing Act of 1949, and, in such case, the amount of the mortgage shall not exceed the appraised value of the property as of the date the mortgage is accepted for insurance”.

MISCELLANEOUS HOUSING INSURANCE

SEC. 313. Section 223 of the National Housing Act is amended by—

(1) striking out the text in subsection (a) which precedes the first numbered clause and inserting in lieu thereof the following:

“(a) Notwithstanding any of the provisions of this Act and without regard to limitations upon eligibility contained in any section or title of this Act, the Secretary is authorized, upon application by the mortgagee, to insure or make commitments to insure under any section or title of this Act any mortgage—”;

(2) striking out in the first and second provisos of subsection (a) (7) “applicable to loans insured under section 203, 207, 213, 220, 221, 222, 231, 232, or 233, as the case may be” and inserting in lieu thereof “prescribed under the applicable section or title of this Act”;

(3) striking out in subsection (c) each time it



1 appears “this title” and inserting in lieu thereof “this  
2 Act”;

3 (4) striking out in subsection (c) “title I, title II,  
4 title VI, title VII, title VIII, or title IX” and in-  
5 serting in lieu thereof “any section or title of this  
6 Act”; and

7 (5) striking out at the end of subsection (c)  
8 “(except that in any case the payment of insurance  
9 shall be in debentures)”.

10 SUPPLEMENTARY LOANS FOR COOPERATIVE HOUSING PUR-  
11 CHASED FROM THE FEDERAL GOVERNMENT

12 SEC. 314. Section 213 (j) of the National Housing Act  
13 is amended by—

14 (1) inserting after the first sentence of paragraph  
15 (1) the following sentence: “The Secretary is further  
16 authorized to make commitments to insure and to insure  
17 supplementary cooperative loans (including advances  
18 during construction or improvement) with respect to  
19 any property purchased from the Federal Government  
20 by a nonprofit corporation or trust of the character  
21 described in paragraph (1) of subsection (a), if the  
22 property is covered by an uninsured mortgage repre-  
23 senting a part of the purchase price.”; and

24 (2) adding before the semicolon at the end of par-



1       agraph (2) (B) the following: “, except that, in the  
 2       case of repairs or improvements to a property covered by  
 3       an uninsured mortgage dated more than twenty years  
 4       prior to the date of the commitment to insure, of such  
 5       magnitude that the Secretary deems them to be a major  
 6       rehabilitation or modernization of such property, the loan  
 7       may have a maturity date up to ten years in excess of  
 8       the remaining term of the uninsured mortgage”.

9                               EQUIPMENT IN NURSING HOMES

10       SEC. 315. Section 232 of the National Housing Act is  
 11       amended by—

12               (1) striking out the text of subsection (b) (2) and  
 13       inserting in lieu thereof the following:

14               “(2) the term ‘mortgage’ means a first mortgage  
 15       on real estate in fee simple, or on the interest of either  
 16       the lessor or lessee thereof (A) under a lease for not  
 17       less than ninety-nine years which is renewable, or (B)  
 18       under a lease having a period of not less than fifty years  
 19       to run from the date the mortgage was executed. The  
 20       term ‘first mortgage’ means such classes of first liens as  
 21       are commonly given to secure advances (including but  
 22       not limited to advances during construction), on, or the  
 23       unpaid purchase price of, real estate under the laws of  
 24       the State in which the real estate is located, together



1 with the credit instrument or instruments, if any, secured  
2 thereby, and any mortgage may be in the form of one or  
3 more trust mortgages or mortgage indentures or deeds  
4 of trust, securing notes, bonds, or other credit instru-  
5 ments, and, by the same instrument or by a separate  
6 instrument, may create a security interest in initial  
7 equipment, whether or not attached to the realty. The  
8 term 'mortgagor' shall have the meaning set forth in  
9 section 207 (a) of this Act.”;

10 (2) striking out the text in subsection (d) which  
11 precedes the first numbered clause and inserting in lieu  
12 thereof the following:

13 “(d) In order to carry out the purposes of this  
14 section, the Secretary is authorized to insure any  
15 mortgage which covers a new or rehabilitated nursing  
16 home, including equipment to be used in its operation,  
17 subject to the following conditions:”; and

18 (3) striking out “when the proposed improvements  
19 are completed” before the period at the end of subsection  
20 (d) (2) and inserting in lieu thereof the following:  
21 “, including equipment to be used in the operation of the  
22 nursing home, when the proposed improvements are  
23 completed and the equipment is installed”.



1 TITLE IV—GUARANTEES FOR FINANCING NEW  
2 COMMUNITY LAND DEVELOPMENT

3 CITATION

4 SEC. 401. This title may be referred to as the “New  
5 Communities Act of 1968.”

6 PURPOSE

7 SEC. 402. It is the purpose of this title, by facilitating  
8 the enlistment of private capital in new community develop-  
9 ment, to encourage the development of new communities  
10 that—

11 (1) contribute to the general betterment of living  
12 conditions through the improved quality of community  
13 development made possible by a consistent design for  
14 the provision of homes, commercial and industrial facili-  
15 ties, public and community facilities, and open spaces;

16 (2) make substantial contributions to the sound  
17 and economic growth of the areas in which they are  
18 located;

19 (3) provide needed additions to the general housing  
20 supply;

21 (4) provide opportunities for innovation in hous-  
22 ing and community development technology and in land  
23 use planning;

24 (5) enlarge housing and employment opportunities  
25 by increasing the range of housing choice and providing



new investment opportunities for industry and commerce; and

(6) encourage the maintenance and growth of a diversified local homebuilding industry.

#### GUARANTEE AUTHORITY

SEC. 403. To carry out the purposes of this title the Secretary is authorized to guarantee, and enter into commitments to guarantee, the bonds, debentures, notes, and other obligations issued by new community developers to help finance new community development projects. The Secretary may make such guarantees and enter into such commitments, subject to the limitations contained in sections 404 and 405, upon such terms and conditions as he may prescribe, taking into account (1) the large initial capital investment required to finance sound new communities, (2) the extended period before initial returns on this type of investment can be expected, (3) the irregular pattern of cash returns characteristic of such investment, and (4) the financial and security interests of the United States in connection with guarantees made under this title.

#### ELIGIBLE NEW COMMUNITY DEVELOPMENT

SEC. 404. No guarantee or commitment to guarantee may be made under this title unless the Secretary has determined that—

(1) the proposed new community (A) will be



1 economically feasible in terms of economic base or po-  
2 tential for growth, and (B) will contribute to the  
3 orderly growth and development of the area of which it  
4 is a part;

5 (2) there is a practicable plan (including appropri-  
6 ate time schedules) for financing the land acquisition and  
7 land development costs of the proposed new community  
8 and for improving and marketing the land which, giving  
9 due consideration to the public purposes of this title and  
10 the special problems involved in financing new com-  
11 munities, represents an acceptable financial risk to the  
12 United States;

13 (3) there is a sound internal development plan for  
14 the new community which (A) has received all govern-  
15 mental approvals required by State or local law or by  
16 the Secretary; and (B) is acceptable to the Secretary as  
17 providing reasonable assurance that the development  
18 will contribute to good living conditions in the area being  
19 developed, will be characterized by sound land use pat-  
20 terns, will include a proper balance of housing for fami-  
21 lies of low and moderate income, and will include or be  
22 served by such shopping, school, recreational, transpor-  
23 tation, and other facilities as the Secretary deems satis-  
24 factory; or

25 (4) the internal development plan is consistent with



1 a comprehensive plan which covers, or with comprehen-  
2 sive planning being carried on for, the area in which the  
3 land is situated, and which meets criteria established by  
4 the Secretary for such comprehensive plans or planning.

5 ELIGIBLE OBLIGATIONS

6 SEC. 405. (a) Any bond, debenture, note or other obli-  
7 gation guaranteed under this title shall—

8 (1) be issued by a new community developer, other  
9 than a public body, approved by the Secretary on the  
10 basis of financial, technical and administrative ability  
11 which demonstrates his capacity to carry out the pro-  
12 posed project;

13 (2) be issued to and held by investors approved  
14 by, or meeting requirements prescribed by, the Secre-  
15 tary, or if an offering to the public is contemplated, be  
16 underwritten upon terms and conditions approved by  
17 the Secretary;

18 (3) be issued to finance a program of land devel-  
19 opment (including acquisition or use of land) approved  
20 by the Secretary: *Provided*, That the Secretary may,  
21 through cost certification procedures, escrow or trustee-  
22 ship requirements, or other means, insure that all pro-  
23 ceeds from the sale of obligations guaranteed under this  
24 title are expended pursuant to such program;

25 (4) involve a principal obligation in an amount



1 not to exceed the lesser of (A) 80 per centum of the  
 2 Secretary's estimate of the value of the property upon  
 3 completion of the land development or (B) the sum  
 4 of 75 per centum of the Secretary's estimate of the  
 5 value of the land before development and 90 per centum  
 6 of his estimate of the actual cost of the land development;

7 (5) bear interest at a rate satisfactory to the Sec-  
 8 retary, such interest to be exclusive of any service  
 9 charges and fees that may be approved by the Secretary;

10 (6) contain repayment and maturity provisions sat-  
 11 isfactory to the Secretary; and

12 (7) contain such provisions with respect to protec-  
 13 tion of the security interests of the United States (in-  
 14 cluding subrogation provisions), liens and releases of  
 15 liens, payment of taxes, and other matters as the Secre-  
 16 tary may, in his discretion, prescribe.

17 (b) The outstanding principal obligations guaranteed  
 18 under this title with respect to a single new community  
 19 development project shall at no time exceed \$50,000,000.

#### 20 FEES AND CHARGES

21 SEC. 406. The Secretary is authorized to establish and  
 22 collect fees for guarantees made under this title and may  
 23 make such charges as he considers reasonable for the analy-  
 24 sis of development and financing plans and for appraisals  
 25 and inspections related to new community development proj-



1   ects. On or before January 1, 1970, the Secretary shall  
2   make a report to the Congress concerning the fees and other  
3   charges under this title that he estimates will be adequate to  
4   provide income sufficient for a self-supporting program.

5                                   GUARANTEE FUND

6       SEC. 407. (a) To provide for the payment of any lia-  
7   bilities incurred as a result of guarantees made under this  
8   title, the Secretary is authorized to establish a revolving fund  
9   which shall be comprised of (1) receipts from fees and  
10  charges; (2) recoveries under security or subrogation rights  
11  or other rights, and any other receipts obtained in connection  
12  with such guarantees; and (3) such sums, which are hereby  
13  authorized to be appropriated, as may be required for pro-  
14  gram operations and nonadministrative expenses and to make  
15  any and all payments guaranteed under this title.

16       (b) The full faith and credit of the United States is  
17  pledged to the payment of all guarantees made under this  
18  title with respect to both principal and interest, including  
19  interest, as may be provided for in the guarantee, accruing  
20  between the date of default under a guaranteed obligation  
21  and the payment in full of the guarantee.

22       (c) Notwithstanding any other provision of law relating  
23  to the acquisition, handling, improvement, or disposal of real  
24  and other property by the United States, the Secretary shall



1 have power, for the protection of the interests of the guaran-  
2 tee fund authorized under this section, to pay out of such  
3 fund all expenses or charges in connection with the acqui-  
4 sition, handling, improvement, or disposal of any property  
5 acquired by him under this title; and notwithstanding any  
6 other provision of law, the Secretary shall also have power to  
7 pursue to final collection by way of compromise or other-  
8 wise all claims acquired by him in connection with any se-  
9 curity, subrogation, or other rights obtained by him in carry-  
10 ing out this title.

11 (d) The aggregate of the outstanding principal obliga-  
12 tions guaranteed under this title shall at no time exceed  
13 \$500,000,000.

14 INCONTESTABILITY

15 SEC. 408. Any guarantee made by the Secretary under  
16 this title shall be conclusive evidence of the eligibility of the  
17 obligations for such guarantee, and the validity of any guar-  
18 antee so made shall be incontestable in the hands of a quali-  
19 fied holder of the guaranteed obligation except for fraud or  
20 material misrepresentation on the part of such holder.

21 ENCOURAGEMENT OF SMALL BUILDERS

22 SEC. 409. The Secretary shall adopt such requirements  
23 as he deems necessary to assure that new community con-  
24 struction assisted under this title will encourage the mainte-



1 nance of a diversified local homebuilding industry and broad  
2 participation by builders, particularly small builders.

### 3 LABOR

4 SEC. 410. All laborers and mechanics employed by con-  
5 tractors or subcontractors in land development assisted under  
6 section 403 shall be paid wages at rates not less than those  
7 prevailing on similar construction in the locality as deter-  
8 mined by the Secretary of Labor in accordance with the  
9 Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5).  
10 No assistance shall be extended under section 403 for land  
11 development without first obtaining adequate assurance that  
12 these labor standards will be maintained upon the construc-  
13 tion work involved in such development. The Secretary of  
14 Labor shall have, with respect to the labor standards specified  
15 in this section, the authority and functions set forth in Reor-  
16 ganization Plan Numbered 14 of 1950 (64 Stat. 1267), and  
17 section 2 of the Act of June 13, 1934 (40 U.S.C. 276c).

### 18 REAL PROPERTY TAXATION

19 SEC. 411. Nothing in this title shall be construed to  
20 exempt any real property that may be acquired and held by  
21 the Secretary as a result of the exercise of lien or subroga-  
22 tion rights from real property taxation to the same extent,  
23 according to its value, as other real property is taxed.



## 1 SUPPLEMENTARY GRANTS

2 SEC. 412. (a) The Secretary is authorized to make  
3 supplementary grants to State and local public bodies and  
4 agencies carrying out "new community assistance projects",  
5 as defined below, if the Secretary determines that such grants  
6 are necessary or desirable for carrying out a new community  
7 development project approved for assistance under section  
8 403.

9 (b) In no case shall any grant under this section exceed  
10 20 per centum of the cost of the new community assistance  
11 project for which the grant is made; and in no case shall the  
12 total Federal contributions to the cost of such project be  
13 more than 80 per centum.

14 (c) In carrying out his authority under this section the  
15 Secretary shall consult with the Department of Agriculture  
16 with respect to new community assistance projects assisted  
17 by that Department, and he shall, for the purpose of sub-  
18 section (b), accept that Department's certifications as to  
19 the cost of such projects.

20 (d) There are hereby authorized to be appropriated  
21 such sums as may be necessary for grants under this section.  
22 Appropriations authorized under this section shall remain  
23 available until expended.



## 1 GENERAL PROVISIONS AND RULES AND REGULATIONS.

2 SEC. 413. In the performance of, and with respect to,  
3 the functions, powers, and duties vested in him by this title,  
4 the Secretary shall (in addition to any authority otherwise  
5 vested in him) have the functions, powers, and duties (in-  
6 cluding the authority to issue rules and regulations) set  
7 forth in section 402, except subsections (c) (2), (d), and  
8 (f), of the Housing Act of 1950: *Provided*, That subsec-  
9 tion (a) (1) of section 402 shall not apply with respect to  
10 functions, powers, and duties under section 412 of this title.

## 11 DEFINITIONS

12 SEC. 414. As used in this title—

(a) The term "land development" means the process of grading land, making, installing, or constructing water lines and water supply installations, sewer lines and sewage disposal installations, steam, gas, and electric lines and installations, roads, streets, curbs, gutters, sidewalks, storm drainage facilities, and other installations or work, whether on or off the site, which the Secretary deems necessary or desirable to prepare land for residential, commercial, industrial, or other uses, or to provide facilities for public or common use. The term "land development" shall not include any building unless it is (1) a building which is needed in con-



1 nection with a water supply or sewage disposal installation  
2 or a steam, gas, or electric line or installation, or (2) a  
3 building, other than a school, which is to be owned and  
4 maintained jointly by the residents of the new community  
5 or is to be transferred to public ownership, but not prior  
6 to its completion.

7 (b) The term "actual costs" means the costs (exclu-  
8 sive of rebates or discounts) incurred by a new community  
9 developer in carrying out the land development assisted  
10 under this title. These costs may include amounts paid for  
11 labor, materials, construction contracts, land planning, engi-  
12 neers' and architects' fees, surveys, taxes, and interest dur-  
13 ing development, organizational and legal expenses, such  
14 allocation of general overhead expenses as are acceptable to  
15 the Secretary, and other items of expense incidental to devel-  
16 opment which may be approved by the Secretary. If the  
17 Secretary determines that there is an identity of interest  
18 between the new community developer and a contractor,  
19 there may be included as a part of actual costs an allowance  
20 for the contractor's profit in an amount deemed reasonable  
21 by the Secretary.

22 (c) The term "new community assistance projects"  
23 means projects assisted by grants made under section 702  
24 of the Housing and Urban Development Act of 1965, sec-



1 tion 306 (a) (2) of the Consolidated Farmers' Home Admin-  
2 istration Act, or title VII of the Housing Act of 1961.

3 CONFORMING AMENDMENTS

4 SEC. 415. (a) Section 202 (b) (4) of the Housing  
5 Amendments of 1955 is amended by adding before the  
6 period at the end of the second sentence "or under title IV  
7 of the Housing and Urban Development Act of 1968".

8 (b) The first paragraph of section 24 of the Federal  
9 Reserve Act is amended by striking out all that follows  
10 "national banking association" in the fourth sentence and  
11 adding "may make loans or purchase obligations for land  
12 development which are secured by mortgages insured under  
13 title X of the National Housing Act or guaranteed under  
14 title IV of the Housing and Urban Development Act of  
15 1968."

16 (c) The next to last paragraph of section 5 (c) of the  
17 Home Owners' Loan Act of 1933 is amended by adding at  
18 the end thereof the following new sentence: "Without regard  
19 to any other provision of this subsection, an association may  
20 invest in loans or obligations, or interests therein, as to which  
21 the association has the benefit of any guaranty under title IV  
22 of the Housing and Urban Development Act of 1968 as now  
23 or hereafter in effect, or of a commitment or agreement there-  
24 for, and such investments shall not be included in any per-



1 centage of assets or other percentage referred to in this  
2 subsection.”

### 3 TITLE V—URBAN RENEWAL

4 SEC. 501. (a) Title I of the Housing Act of 1949 is  
5 amended by adding after the title heading the following new  
6 subheading:

7 “PART A—URBAN RENEWAL PROJECTS, DEMOLITION PRO-  
8 GRAMS, AND CODE ENFORCEMENT PROGRAMS”

9 (b) Title I of that Act is further amended by adding at  
10 the end thereof the following new part:

11 “PART B—NEIGHBORHOOD DEVELOPMENT PROGRAMS

12 “PURPOSE AND AUTHORITY

13 “SEC. 131. (a) To facilitate more rapid renewal and  
14 development of urban areas on an effective scale, and to en-  
15 courage more efficient and flexible utilization of public and  
16 private development opportunities by local communities in  
17 such areas, the Secretary is authorized to make financial as-  
18 sistance available under this title to local public agencies  
19 for undertakings and activities which are carried out under a  
20 neighborhood development program approved by him pur-  
21 suant to this part.

22 “(b) A neighborhood development program shall con-  
23 sist of urban renewal project undertakings and activities in  
24 one or more urban renewal areas which are planned and  
25 carried out on the basis of annual increments in accordance



1 with the provisions of this title for planning and carrying out  
2 urban renewal projects, except as modified by the provisions  
3 of this part.

4 “(c) No application for financial assistance in planning  
5 and carrying out a neighborhood development program shall  
6 be approved by the Secretary unless—

7 “(1) the governing body of the locality has, by  
8 resolution or ordinance, approved the proposed program  
9 and the annual increment covered by the application  
10 and authorized the filing of the application for financial  
11 assistance; and

12 “(2) the Secretary has concluded that there is the  
13 necessary capacity to carry out the undertakings and  
14 activities included under the program.

15 “FINANCIAL PROVISIONS

16 “SEC. 132. (a) Upon the approval of a neighborhood de-  
17 velopment program by the Secretary, the cost of any under-  
18 takings and activities authorized as part of the program shall  
19 be financed in accordance with the loan, capital grant, and  
20 project cost provisions of part A, except:

21 “(1) net project cost may be calculated on the basis  
22 of costs incurred and proceeds derived for the account  
23 of the program during a specified twelve-month period,  
24 and may be recalculated for succeeding periods of twelve



1 months to reflect additional costs and additional proceeds  
2 since the date of the last computation or recomputation;  
3 and

4 “ (2) if property has been acquired but not disposed  
5 of prior to the computation or recomputation of net proj-  
6 ect cost, temporary loans made or secured under this title  
7 to finance undertakings or activities included in the pro-  
8 gram may remain outstanding until the property has  
9 been disposed of and the proceeds thereof, together with  
10 additional funds becoming available to the program, are  
11 sufficient to permit repayment of the loans.

12 “ (b) In the event that gross project cost as computed  
13 for a specified twelve-month period is exceeded, with respect  
14 to that period, by the sum of (1) the sales price of land  
15 or other property sold, and (2) the imputed capital value  
16 of land or other property leased or retained by the local  
17 public agency in accordance with the provisions of the urban  
18 renewal plan, the local public agency shall pay to the  
19 Secretary two-thirds of the excess (or three-fourths in the  
20 case of a program on a three-fourths grant basis), which  
21 amount shall be available to the Secretary for grant payments  
22 under section 103.

23 “LOCAL GRANTS-IN-AID

24 “SEC. 133. (a) For the purpose of determining the  
25 eligibility of local grants-in-aid in connection with under-



1 takings and activities carried out under a neighborhood  
2 development program, the three-year period referred to in  
3 section 110 (d) shall be deemed to be a period of three  
4 years prior to the authorization by the Secretary of the  
5 first contract for financial assistance under the program which  
6 includes the urban renewal area which is benefited by the  
7 public improvement or facility for which credit is claimed;  
8 and the seven-year period referred to in clause (1) of sec-  
9 tion 112 (b) shall be deemed to be a period of seven years  
10 prior to the date of authorization by the Secretary of the  
11 first contract for financial assistance under the program which  
12 includes the urban renewal area which is benefited by the  
13 expenditures for which credit is claimed.

14 “(b) No portion of the cost of a public improvement or  
15 public facility (to the extent otherwise eligible) may be in-  
16 cluded as a local grant-in-aid in computing the gross project  
17 cost of an approved program for any twelve-month period—

18 “(1) prior to commencement of construction of the  
19 improvement or facility, or

20 “(2) in excess of the amount actually expended or  
21 obligated by contract.

22 “(c) The provisions of section 104 with respect to the  
23 pooling of local grants-in-aid among the various projects  
24 undertaken by a local public agency shall not be applicable  
25 with respect to any excess local grants-in-aid resulting from



1 the urban renewal projects contained in a neighborhood de-  
2 velopment program.

3 "GENERAL PROVISIONS

4 "SEC. 134. (a) For purposes of this part—

5 " (1) the workable program requirement in section  
6 101 (c) shall apply to the authorization, rather than the  
7 execution, of any contract for loans or capital grants;

8 " (2) capital grants on a three-fourths basis may  
9 only be made under section 103 (a) (2) (B) ;

10 " (3) the relocation requirements specified in sec-  
11 tion 105 (c) shall apply to each annual increment of an  
12 approved program ;

13 " (4) section 106 (g) (relating to transient hous-  
14 ing) shall apply to activities undertaken under approved  
15 programs, except that the determination as to need for  
16 transient housing shall be made with respect to any sale  
17 or lease of land for construction of such housing prior to  
18 such sale or lease; and

19 " (5) the requirement concerning demolition and  
20 removal of buildings and improvements stated in clause  
21 (A) of the sentence following paragraph (10) of sec-  
22 tion 110 (c) shall apply to each annual increment of an  
23 approved program.

24 " (b) The approval by the Secretary of financial assist-



1   ance for one or more annual increments of a neighborhood  
2   development program shall not be considered as obligating  
3   him to provide financial assistance for any subsequent annual  
4   increments.

5       “(c) The urban renewal plan referred to in section 110  
6   (b) may cover one or more of the urban renewal areas cov-  
7   ered by a neighborhood development program and such plan  
8   may be modified from time to time to cover additional urban  
9   renewal areas added to the program. The Secretary may  
10   establish such requirements, as he deems appropriate, pre-  
11   scribing the scope and content of such plan, taking into con-  
12   sideration, among other matters, the degree of detail needed  
13   in the plan to properly and expeditiously carry out the activi-  
14   ties and undertakings proposed in any annual increment of a  
15   neighborhood development program.”

16                   INCREASED   AUTHORIZATION

17       SEC. 502. (a) Section 103 (b) of the Housing Act  
18   of 1949 is amended by striking out in the first sentence  
19   everything after “exceed” and inserting in lieu thereof “\$7,-  
20   600,000,000, which amount shall be increased by \$1,400,-  
21   000,000 on July 1, 1969”.

22       (b) Section 103 (b) of such Act is further amended by  
23   striking out “\$250,000,000” in the second sentence and in-  
24   serting in lieu thereof “\$600,000,000”.



## 1 REHABILITATION GRANTS

2 SEC. 503. (a) The second sentence of section 115 (a)  
3 of the Housing Act of 1949 is amended by striking out the  
4 words "a structure" and "structure" and inserting in lieu  
5 thereof "real property".

6 (b) Section 115 (b) of such Act is amended by striking  
7 out "\$1,500" and inserting in lieu thereof "\$2,500".

## 8 REHABILITATION IN URBAN RENEWAL AREAS

9 SEC. 504. Section 110 (c) (8) of the Housing Act of  
10 1949 is amended by striking out (1) "guidance purposes,  
11 and", and (2) the proviso at the end thereof.

## 12 DISPOSITION OF PROPERTY FOR LOW AND MODERATE

## 13 INCOME HOUSING

14 SEC. 505. Section 107 (a) of the Housing Act of 1949  
15 is amended by—

16 (1) inserting ", section 235 (j) (1), or section  
17 236" after "or (d) (4)";

18 (2) inserting "or lessee" after "purchaser" where it  
19 appears and "or lease" after "purchase";

20 (3) striking out "rental or cooperative"; and

21 (4) striking out "moderate" and inserting in lieu  
22 thereof "low or moderate".



1 CAPITAL GRANTS FOR LOW AND MODERATE INCOME HOUS-  
2 ING IN OPEN LAND PROJECTS

3 SEC. 506. Section 103 (a) (1) of the Housing Act of  
4 1949 is amended by inserting before the period at the end  
5 thereof the following: “, except that he may contract for  
6 such a grant in an amount not to exceed two-thirds of the  
7 difference between the proceeds from any land disposed of  
8 pursuant to section 107 hereof, and the fair value of the  
9 land without regard to such section”.

10 URBAN RENEWAL LOAN CONTRACTS

11 SEC. 507. (a) Section 102 (c) of the Housing Act of  
12 1949 is amended by:

13 (1) striking out “at interest rates lower than pro-  
14 vided in the loan contract” in the first sentence; and

15 (2) inserting before the period at the end of the  
16 first sentence the following: “: *Provided*, That, if at  
17 any time during the undertaking of the project, the inter-  
18 est rate on such a loan from a source other than the  
19 Federal Government is greater than the rate at which  
20 funds could be made available under the Federal loan  
21 contract, the Secretary may make a supplemental grant  
22 to the local public agency in the amount of the difference



1       between the interest cost from such sources and the  
2       interest cost at the contract rate, and no part of the  
3       amount of any such grant shall be required to be con-  
4       tributed as a part of the local grant-in-aid”.

(b) Loan contracts outstanding on the date of enactment of this section may be amended to incorporate the provisions authorized by the amendment contained in subsection (a) without regard to the proviso in section 110 (g) of the Housing Act of 1949.

10 PROJECT COMPLETION PRIOR TO DISPOSITION OF CERTAIN  
11 PROPERTY

12 SEC. 508. (a) Section 106 of the Housing Act of 1949  
13 is amended by adding at the end thereof the following new  
14 subsection:

15       “(i) Upon a determination by the Secretary that (1)  
16 not more than 5 per centum of the total area of land ac-  
17 quired as part of an urban renewal project remains to be  
18 disposed of, (2) the local public agency does not expect  
19 to be able, due to circumstances beyond its control, to dis-  
20 pose of such land in the near future, (3) all other project  
21 activities are completed, and (4) the local public agency  
22 has agreed to dispose of or retain such land for uses in ac-  
23 cordance with the urban renewal plan, the urban renewal  
24 project may be deemed completed, and the net project cost  
25 may be computed and the capital grant paid.”



(b) Section 110 (f) of such Act is amended by inserting before the period at the end thereof the following: "or for subsequent disposition or retention as provided under section 106 (i)".

#### REHABILITATION LOANS

SEC. 509. (a) Section 312 (d) of the Housing Act of 1964 is amended by rewriting the first sentence to read as follows: "There is authorized to be appropriated for each fiscal year such amounts as may be necessary which shall constitute a revolving fund to be used by the Secretary in carrying out this section."

(b) Section 312 (h) of such Act is amended by striking out "October 1, 1969" and inserting in lieu thereof "June 30, 1973".

### TITLE VI—URBAN PLANNING AND FACILITIES

#### COMPREHENSIVE PLANNING

SEC. 601. Section 701 of the Housing Act of 1954 is amended to read as follows:

#### "COMPREHENSIVE PLANNING

"SEC. 701. (a) In order to assist State and local governments in solving planning problems, including those resulting from the increasing concentration of population in metropolitan and other urban areas and the out-migration from and lack of coordinated development of resources and



1 services in rural areas; to facilitate comprehensive planning  
2 for urban and rural development, including coordinated  
3 transportation systems, on a continuing basis by such govern-  
4 ments; and to encourage such governments to establish and  
5 improve planning staffs and techniques on an areawide basis,  
6 the Secretary is authorized to make planning grants to—

7 “(1) State planning agencies for the provision of  
8 planning assistance to (A) cities and other municipali-  
9 ties having a population of less than fifty thousand  
10 according to the latest decennial census, and counties  
11 without regard to population: *Provided*, That grants  
12 shall be made under this paragraph for planning assist-  
13 ance to counties having a population of fifty thousand  
14 or more, according to the latest decennial census, which  
15 are within metropolitan areas, only if (i) the Secretary  
16 finds that planning and plans for such county will be co-  
17 ordinated with the program of comprehensive planning,  
18 if any, which is being carried out for the metropolitan  
19 area of which the county is a part, and (ii) the aggre-  
20 gate amount of the grants made subject to this proviso  
21 does not exceed 15 per centum of the aggregate amount  
22 appropriated, after September 2, 1964, for the purposes  
23 of this section, (B) any group of adjacent communities,  
24 either incorporated or unincorporated, having a total pop-  
25 ulation of less than fifty thousand according to the latest



1 decennial census and having common or related urban  
2 planning problems, (C) cities, other municipalities, and  
3 counties, referred to in paragraph (3) of this subsection  
4 and areas referred to in paragraph (4) of this subsec-  
5 tion, and (D) Indian reservations;

6 “(2) State, metropolitan, and regional planning  
7 agencies for metropolitan or regional planning;

8 “(3) cities, other municipalities, and counties which  
9 (A) are situated in redevelopment areas or economic  
10 development districts designated by the Secretary of  
11 Commerce under title IV of the Public Works and Eco-  
12 nomic Development Act of 1965, or (B) have suffered  
13 substantial damage as a result of a catastrophe which  
14 the President, pursuant to section 2 (a) of ‘An Act to au-  
15 thorize Federal assistance to States and local govern-  
16 ments in major disasters, and for other purposes’, ap-  
17 proved September 30, 1950, as amended (42 U.S.C.  
18 1855a), has determined to be a major disaster;

19 “(4) official governmental planning agencies for  
20 areas where rapid urbanization has resulted or is ex-  
21 pected to result from the establishment or rapid and  
22 substantial expansion of a Federal installation, or for  
23 areas where rapid urbanization is expected to result on  
24 land developed or to be developed as a new community



1 approved under section 1004 of the National Housing  
2 Act or title IV of the Housing and Urban Develop-  
3 ment Act of 1968;

4 “(5) State planning agencies for State and inter-  
5 state comprehensive planning and for research and coor-  
6 dination activity related thereto, including technical and  
7 other assistance for the establishment and operation of  
8 intrastate and interstate planning agencies;

9 “(6) State planning agencies for assistance to dis-  
10 trict planning, or planning for areas within districts,  
11 carried on by or for district planning agencies;

12 “(7) metropolitan and regional planning agencies,  
13 with the approval of the State planning agency or (in  
14 States where no such planning agency exists) of the  
15 Governor of the State, for the provision of planning as-  
16 sistance within the metropolitan area or region to cities,  
17 other municipalities, counties, groups of adjacent com-  
18 munities, or Indian reservations described in clauses  
19 (A), (B), (C), and (D) of paragraph (1) of this  
20 subsection;

21 “(8) official governmental planning agencies for  
22 any area where there has occurred a substantial reduc-  
23 tion in employment opportunities as the result of (A)  
24 the closing (in whole or in part) of a Federal installa-  
25 tion, or (B) a decline in the volume of Government



1 orders for the procurement of articles or materials pro-  
2 duced or manufactured in such area;

3 “(9) tribal planning councils or other tribal bodies  
4 designated by the Secretary of the Interior for planning  
5 for an Indian reservation; and

6 “(10) the Appalachian Regional Commission, es-  
7 tablished by the Appalachian Regional Development  
8 Act of 1965, for comprehensive planning for the Appa-  
9 lachian region as defined by section 403 of such Act  
10 (or State agencies or instrumentalities participating in  
11 such planning).

12 Planning assisted under this section shall, to the maximum  
13 extent feasible, cover entire areas having common or related  
14 development problems. The Secretary shall encourage co-  
15 operation in preparing and carrying out plans among all  
16 interested municipalities, political subdivisions, public agen-  
17 cies, and other parties in order to achieve coordinated devel-  
18 opment of entire areas. To the maximum extent feasible,  
19 pertinent plans and studies already made for areas shall be  
20 utilized so as to avoid unnecessary repetition of effort and  
21 expense. Planning which may be assisted under this section  
22 includes the preparation of comprehensive transportation  
23 surveys, studies, and plans to aid in solving problems of  
24 traffic congestion, facilitating the circulation of people and  
25 goods in metropolitan and other areas and reducing trans-



1 portation needs. Funds available under this section shall be  
2 in addition to and may be used jointly with funds available for  
3 planning surveys and investigations under other federally  
4 aided programs, and nothing contained in this section shall  
5 be construed as affecting the authority of the Secretary of  
6 Transportation under section 307 of title 23, United States  
7 Code.

8 “ (b) A planning grant made under subsection (a) shall  
9 not exceed two-thirds of the estimated cost of the work for  
10 which the grant is made: *Provided*, That such a grant may  
11 be made for up to 75 per centum of such estimated cost when  
12 made for planning primarily for (1) redevelopment areas or  
13 economic development districts, or portions thereof, described  
14 in subsection (a) (3) (A), (2) areas described in subsection  
15 (a) (8), and (3) the Appalachian region, as described in  
16 subsection (a) (10). All grants made under this section shall  
17 be subject to terms and conditions prescribed by the Secre-  
18 tary. No portion of any grant made under this section shall  
19 be used for the preparation of plans for specific public works.  
20 The Secretary is authorized, notwithstanding the provisions  
21 of section 3648 of the Revised Statutes, as amended, to make  
22 advance or progress payments on account of any grant made  
23 under this section. There is hereby authorized to be appro-  
24 priated to the Secretary not exceeding \$265,000,000 prior  
25 to July 1, 1969, to carry out his duties under this section,



1 which amount shall be increased by such additional sums in  
2 fiscal year 1970 and subsequent fiscal years as are necessary.  
3 Of the amount available prior to July 1, 1969, \$20,000,000  
4 may be used only for district planning grants under subsec-  
5 tion (a) (6), which amount shall be increased by \$10,000,-  
6 000 on July 1 in each subsequent fiscal year. Any amounts  
7 appropriated under this section shall remain available until  
8 expended: *Provided*, That of any funds appropriated under  
9 this section, not to exceed an aggregate of \$10,000,000 plus  
10 5 per centum of any funds so appropriated may be used by  
11 the Secretary for studies, research, and demonstration proj-  
12 ects, undertaken independently or by contract, for the devel-  
13 opment and improvement of techniques and methods for com-  
14 prehensive planning and for the advancement of the purposes  
15 of this section, and for grants to assist in the conduct of  
16 studies and research relating to needed revisions in State  
17 statutes which create, govern, or control local governments  
18 and local governmental operations.

19 “(c) The Secretary is authorized, in areas embracing  
20 several municipalities or other political subdivisions, to en-  
21 courage planning on a unified regional, district, or metro-  
22 politan basis and to provide technical assistance for such  
23 planning and the solution of problems relating thereto.

24 “(d) It is the further intent of this section to encourage  
25 comprehensive planning, including transportation planning,



1 for States, cities, counties, metropolitan areas, districts, re-  
2 gions, and Indian reservations and the establishment and  
3 development of the organizational units needed therefor. In  
4 extending financial assistance under this section, the Secre-  
5 tary may require such assurances as he deems adequate that  
6 the appropriate State and local agencies are making reason-  
7 able progress in the development of the elements of com-  
8 prehensive planning. The Secretary is authorized to provide  
9 technical assistance to State and local governments and their  
10 agencies and instrumentalities, and to Indian tribal bodies,  
11 undertaking such planning and, by contract or otherwise, to  
12 make studies and publish information on related problems.

13       “(e) In the exercise of his responsibilities under this  
14 section, the Secretary shall consult with those officials of  
15 the Federal Government responsible for the administration of  
16 programs of Federal assistance to the States and municipali-  
17 ties for various categories of public facilities and other com-  
18 prehensively planned activities. He shall, particularly, con-  
19 sult with the Secretary of Agriculture prior to his approval  
20 of any district planning grants under subsections (a) (6) and  
21 (g). The Secretary of Agriculture may provide technical  
22 assistance, with or without reimbursement, in connection with  
23 the establishment of such districts and the carrying out of  
24 such planning.

25       “(f) The consent of the Congress is hereby given to any



1 two or more States to enter into agreements or compacts, not  
2 in conflict with any law of the United States, for cooperative  
3 efforts and mutual assistance in the comprehensive planning  
4 for the growth and development of interstate, metropolitan,  
5 or other urban areas, and to establish such agencies, joint or  
6 otherwise, as they may deem desirable for making effective  
7 such agreements and compacts.

8 “(g) In addition to the planning grants authorized by  
9 subsection (a), the Secretary is further authorized to make  
10 grants to organizations composed of public officials whom  
11 he finds to be representative of the political jurisdictions  
12 within a metropolitan area, region, or district for the purpose  
13 of assisting such organization to undertake studies, collect  
14 data, develop metropolitan, regional, and district plans and  
15 programs, and engage in such other activities as the Secre-  
16 tary finds necessary or desirable for the solution of the metro-  
17 politan, regional, or district problems in such areas, regions,  
18 or districts. To the maximum extent feasible, all grants under  
19 this subsection shall be for activities relating to all the de-  
20 velopmental aspects of the total metropolitan area, region, or  
21 district including, but not limited to, land use, transportation,  
22 housing, economic development, natural resources develop-  
23 ment, community facilities, and the general improvement of  
24 living environments. A grant under this subsection shall not



1 exceed two-thirds of the estimated cost of the work for which  
2 the grant is made.

3 “(h) In addition to the other grants authorized by this  
4 section, the Secretary is authorized to make grants to assist  
5 any city, other municipality, or county in making a survey  
6 of the structures and sites in such locality which are de-  
7 termined by its appropriate authorities to be of historic or  
8 architectural value. Any such survey shall be designed to  
9 identify the historic structures and sites in the locality, deter-  
10 mine the cost of their rehabilitation or restoration, and pro-  
11 vide such other information as may be necessary or appro-  
12 priate to serve as a foundation for a balanced and effective  
13 program of historic preservation in such locality. The aspects  
14 of any such survey which relate to the identification of his-  
15 toric and architectural values shall be conducted in accord-  
16 ance with criteria found by the Secretary to be comparable  
17 to those used in establishing the national register main-  
18 tained by the Secretary of the Interior under other provisions  
19 of law; and the results of each such survey shall be made  
20 available to the Secretary of the Interior. A grant under this  
21 subsection shall not exceed two-thirds of the cost of the sur-  
22 vey for which it is made, and shall be made to the appro-  
23 priate agency or entity specified in paragraphs (1) through  
24 (10) of subsection (a) or, if there is no such agency or en-  
25 tity which is qualified and willing to receive the grant and



1 provide for its utilization in accordance with this subsection,  
2 directly to the city, other municipality, or county involved.

3 “(i) As used in this section—

4 “(1) The term ‘metropolitan area’ means a standard  
5 metropolitan statistical area, as established by the Bureau of  
6 the Budget, subject, however, to such modifications or exten-  
7 sions as the Secretary deems to be appropriate for the pur-  
8 poses of this section.

9 “(2) The term ‘region’ includes (A) all or part of the  
10 area of jurisdiction of one or more units of general local  
11 government, and (B) one or more metropolitan areas.

12 “(3) The term ‘district’ includes all or part of the area  
13 of jurisdiction of (A) one or more counties, and (B) one or  
14 more other units of general local government, but does not  
15 include any portion of a metropolitan area.

16 “(4) The term ‘comprehensive planning’ includes the  
17 following:

18 “(A) preparation, as a guide for governmental  
19 policies and action, of general plans with respect to  
20 (i) the pattern and intensity of land use, (ii) the pro-  
21 vision of public facilities (including transportation fa-  
22 cilities) and other government services, and (iii) the  
23 effective development and utilization of human and  
24 natural resources;



1           “(B) long-range physical and fiscal plans for such  
2       action;

3           “(C) programing of capital improvements and  
4       other major expenditures, based on a determination of  
5       relative urgency, together with definitive financing plans  
6       for such expenditures in the earlier years of the program;

7           “(D) coordination of all related plans and activities  
8       of the State and local governments and agencies con-  
9       cerned; and

10          “(E) preparation of regulatory and administrative  
11       measures in support of the foregoing.

12   Comprehensive planning for districts shall not include plan-  
13   ning aimed at encouraging establishments to relocate from  
14   one area to another: *Provided*, That this limitation shall  
15   not be construed to prohibit planning aimed at encouraging  
16   the expansion of an existing business entity through the  
17   establishment of a new branch, affiliate, or subsidiary of  
18   such entity, if the establishment of such branch, affiliate,  
19   or subsidiary will not result in an increase in unemployment  
20   in any area where such entity conducts business operations  
21   and if there is no reasonable cause to believe that such  
22   branch, affiliate, or subsidiary is being established with the  
23   intention of closing down the operations of the existing  
24   business entity in any such area.

25          “(5) The term ‘State planning agencies’ includes official



1 State planning agencies and (in States where no such plan-  
2 ning agency exists) agencies or instrumentalities of State  
3 government designated by the Governor of the State and  
4 acceptable to the Secretary.

5 “(6) The terms ‘metropolitan planning agencies’,  
6 ‘regional planning agencies’, and ‘district planning agencies’  
7 means official metropolitan, regional, and district planning  
8 agencies, or other agencies and instrumentalities designated  
9 by the Governor (or Governors in the case of interstate  
10 planning), and acceptable to the Secretary, empowered  
11 under State or local law or interstate compact to perform  
12 metropolitan, regional, or district planning, respectively:  
13 *Provided*, That such agencies and instrumentalities shall,  
14 to the greatest practicable extent, be composed of or respon-  
15 sible to the elected officials of the unit or units of general  
16 local government for whose jurisdictions they are empowered  
17 to engage in planning.”

18 PLANNED AREAWIDE DEVELOPMENT

19 SEC. 602. (a) The heading of title II of the Demon-  
20 stration Cities and Metropolitan Development Act of 1966  
21 is amended to read as follows: “TITLE II—PLANNED  
22 AREAWIDE DEVELOPMENT”.

23 (b) Section 201 of such Act is amended to read as  
24 follows:



1           “FINDINGS AND DECLARATION OF PURPOSE

2           “SEC. 201. (a) The Congress hereby finds that the  
3   welfare of the Nation and of its people is directly dependent  
4   upon the sound and orderly development and the effective  
5   organization and functioning of our State and local govern-  
6   ments.

7           “It further finds that it is essential that our State and  
8   local governments prepare, keep current, and carry out com-  
9   prehensive plans and programs for their orderly physical  
10   development with a view to meeting efficiently all their  
11   economic and social needs.

12          “It further finds that our State and local governments  
13   are especially handicapped in this task by the complexity  
14   and scope of governmental services required, the multiplicity  
15   of political jurisdictions and agencies involved, and the inade-  
16   quacy of the operational and administrative arrangements  
17   available for cooperation among them.

18          “It further finds that present requirements for areawide  
19   planning and programing in connection with various Federal  
20   programs have materially assisted in the solution of areawide  
21   problems, but that greater coordination of Federal programs  
22   and additional participation and cooperation are needed from  
23   the States and localities in perfecting and carrying out such  
24   efforts.

25          “(b) It is the purpose of this title to provide through



1 greater coordination of Federal programs and through sup-  
2 plementary grants for certain federally assisted development  
3 projects, additional encouragement and assistance to States  
4 and localities for making comprehensive areawide planning  
5 and programing effective.”

6 (c) Section 202 of such Act is amended by striking out  
7 “metropolitan”, each place it appears, and inserting in lieu  
8 thereof “areawide”.

9 (d) (1) Section 205 of such Act is amended by striking  
10 out “metropolitan development”, each place it appears, and  
11 inserting in lieu thereof “areawide development”.

12 (2) Such section is further amended by striking out  
13 “metropolitan areas” and “metropolitan area” and inserting  
14 in lieu thereof “areas” and “area”, respectively.

15 (3) Such section is further amended by striking out  
16 “metropolitanwide” each place it appears, and inserting in  
17 lieu thereof “areawide”.

18 (4) Such section is further amended by striking out  
19 “metropolitan planning”, each place it appears, and insert-  
20 ing in lieu thereof “areawide planning”.

21 (5) Such section is further amended by inserting “where  
22 appropriate,” after “(B)” in subsection (c) (1).

23 (6) Such section is further amended by striking out in  
24 subsection (f) the following: “within the metropolitanwide  
25 area”.



1 (e) (1) Paragraphs (1) and (2) of section 208 of  
 2 such Act are amended by striking out "Metropolitan" and  
 3 inserting in lieu thereof "Areawide".

4 (2) Paragraph (7) of such section is amended—

5 (A) by striking out "or metropolitan or regional"  
 6 and inserting in lieu thereof ", metropolitan, regional,  
 7 or district"; and

8 (B) by striking out in the parenthetical phrase the  
 9 word "metropolitan".

10 (f) Section 206 (b) of such Act is amended by striking  
 11 out the second sentence and inserting in lieu thereof the  
 12 following: "Any amounts appropriated under this section  
 13 shall remain available until expended, and any amounts  
 14 authorized for any fiscal year under this section but not  
 15 appropriated may be appropriated for any succeeding fiscal  
 16 year commencing prior to July 1, 1970."

17 ADVANCE ACQUISITION OF LAND

18 SEC. 603. (a) Section 701 of the Housing and Urban  
 19 Development Act of 1965 is amended by striking out in  
 20 clause (3) thereof "in connection with the future construc-  
 21 tion of public works and facilities." and inserting in lieu  
 22 thereof "in the future for public purposes."



1       (b) Section 704 of such Act is amended to read as  
2 follows:

3       “SEC. 704. (a) In order to encourage and assist the  
4 timely acquisition of land planned to be utilized in the future  
5 for public purposes, the Secretary is authorized to make  
6 grants to States and local public bodies and agencies to assist  
7 in financing the acquisition of a fee simple estate or other  
8 interest in such land.

9       “(b) The amount of any grant made under this section  
10 shall not exceed the aggregate amount of reasonable interest  
11 charges on the loans or other financial obligations incurred to  
12 finance the acquisition of such land for a period not in excess  
13 of the lesser of (1) five years from the date of acquisition of  
14 such land or (2) the period of time between the date on  
15 which the land was acquired and the date its use began for  
16 the purpose for which it was acquired: *Provided*, That where  
17 all or any portion of the cost of such land is not financed  
18 through borrowings, the amount of the grant shall be com-  
19 puted on the basis of the aggregate amount of reasonable in-  
20 terest charges that the Secretary determines would have  
21 been required.



1       “(c) No grant shall be made under this section unless  
2 the Secretary determines that the land will be utilized for a  
3 public purpose within a reasonable period of time and that  
4 such utilization will contribute to economy, efficiency, and  
5 the comprehensively planned development of the area.

6       “(d) No land acquired with assistance under this sec-  
7 tion shall, without approval of the Secretary, be diverted  
8 from the purpose originally approved. The Secretary shall  
9 approve no such diversion unless he finds that the diversion  
10 is in accord with the then applicable comprehensive plan for  
11 the area. In cases of a diversion of land to other than a pub-  
12 lic purpose, the Secretary may require repayment of the  
13 grant, or substitution of land of approximately equal fair  
14 market value, whichever he deems appropriate. An interim  
15 use of the land for a public or private purpose in accordance  
16 with standards prescribed by the Secretary, or approved by  
17 him, shall not constitute a diversion within the meaning of  
18 this subsection.

19       “(e) Notwithstanding any other provision of law, no  
20 project for which land is acquired with assistance under  
21 this section shall, solely as a result of such advance acqui-  
22 sition, be considered ineligible for the purpose of any other  
23 Federal loan or grant program, and the amount of the pur-  
24 chase price paid for the land by the recipient of a grant



1 under this section may be considered an eligible cost for the  
 2 purpose of such other Federal loan or grant program.”

3 EXTENSION OF INTERIM PLANNING REQUIREMENTS IN  
 4 WATER AND SEWER FACILITIES PROGRAM

5 SEC. 604. Section 702 (c) of the Housing and Urban  
 6 Development Act of 1965 is amended by striking out “July  
 7 1, 1968” and inserting in lieu thereof “October 1, 1969”.

8 AUTHORIZATIONS FOR THE WATER AND SEWER FACILITIES,  
 9 NEIGHBORHOOD FACILITIES, AND ADVANCE ACQUISITION OF LAND PROGRAMS

11 SEC. 605. Section 708 (b) of the Housing and Urban  
 12 Development Act of 1965 is amended by striking out “July  
 13 1, 1969” and inserting in lieu thereof “July 1, 1970”.

14 OPEN-SPACE LAND PROGRAM

15 SEC. 606. (a) Section 702 (b) of the Housing Act of  
 16 1961 is amended to read as follows: “There are authorized  
 17 to be appropriated, for the purpose of making grants under  
 18 this title, not to exceed \$310,000,000 prior to July 1, 1969,  
 19 which amount shall be increased by such additional sums  
 20 in fiscal year 1970 and subsequent fiscal years as are necessary. Any amounts appropriated under this section shall  
 21 remain available until expended.”

23 (b) Section 708 (b) of such Act is amended by striking  
 24 out “\$50,000” and inserting in lieu thereof “\$125,000”.



1 AUTHORIZE THE MAKING OF FEASIBILITY STUDIES IN THE  
2 PUBLIC WORKS PLANNING ADVANCES PROGRAM

3 SEC. 607. Section 702 (a) of the Housing Act of 1954  
4 is amended by inserting after "to aid in financing the cost of"  
5 the following: "feasibility studies,".

6 TITLE VII—URBAN MASS TRANSPORTATION

7 GRANT AUTHORIZATIONS

8 SEC. 701. (a) Section 4 (b) of the Urban Mass Trans-  
9 portation Act of 1964 is amended by (1) striking out the  
10 word "and" where it first appears in the first sentence, and  
11 (2) inserting before the period at the end of the first sen-  
12 tence "; and not to exceed an additional \$190,000,000 for  
13 fiscal year 1970".

14 (b) Section 6 (c) of such Act is amended by (1) strik-  
15 ing out "\$50,000,000" and inserting in lieu thereof "\$56,-  
16 000,000", and (2) inserting at the end thereof the follow-  
17 ing: "On or after July 1, 1969, the Secretary may make  
18 available to finance projects under this section such additional  
19 sums out of the grant authorization provided in section 4 (b)  
20 as he deems appropriate."

21 DEFINITION OF MASS TRANSPORTATION

22 SEC. 702. Section 12 (c) (5) of the Urban Mass Trans-  
23 portation Act of 1964 is amended to read as follows:

24 " (5) the term 'mass transportation' means trans-  
25 portation by bus, rail, or other conveyance, either pub-



1       licly or privately owned, which provides to the public  
2       general or special service (but not including school buses  
3       or charter or sightseeing service) on a regular and con-  
4       tinuing basis.”

5   EXTENSION OF EMERGENCY PROGRAM UNDER THE URBAN  
6                   MASS TRANSPORTATION ACT

7       SEC. 703. Section 5 of the Urban Mass Transportation  
8   Act of 1964 is amended by striking out “November 1, 1968”  
9   and inserting in lieu thereof “October 1, 1969”.

10   TITLE VIII—SECONDARY MORTGAGE MARKET  
11                   PURPOSES

12       SEC. 801. The purposes of this title include the partition  
13   of the Federal National Mortgage Association as heretofore  
14   existing into two separate and distinct corporations, each of  
15   which shall have continuity and corporate succession as a  
16   separated portion of the previously existing corporation. One  
17   of such corporations, to be known as Federal National Mort-  
18   gage Association, will be a Government-sponsored private  
19   corporation, will retain the assets and liabilities of the pre-  
20   viously existing corporation accounted for under section 304  
21   of the Federal National Mortgage Association Charter Act,  
22   and will continue to operate the secondary market operations  
23   authorized by such section 304. The other, to be known as  
24   Government National Mortgage Association, will remain in  
25   the Government, will retain the assets and liabilities of the



1 previously existing corporation accounted for under sections  
 2 305 and 306 of such Act, and will continue to operate the  
 3 special assistance functions and management and liquidating  
 4 functions authorized by such sections 305 and 306.

5 AMENDMENTS TO THE FEDERAL NATIONAL MORTGAGE

6 ASSOCIATION CHARTER ACT

7 SEC. 802. (a) The heading of title III of the National  
 8 Housing Act is amended by striking out “FEDERAL NA-  
 9 TIONAL MORTGAGE ASSOCIATION” and inserting in  
 10 lieu thereof “NATIONAL MORTGAGE ASSOCIATIONS”.

11 (b) Section 301 of such Act is amended—

12 (1) by striking out “in the Federal Government a”;

13 (2) by striking out “facility for” and inserting in  
 14 lieu thereof “facilities for”;

15 (3) by striking out “of such facility” and inserting  
 16 in lieu thereof “thereof”;

17 (4) by striking out “facility to” and inserting in  
 18 lieu thereof “facilities to”; and

19 (5) by striking out “the existing mortgage port-  
 20 folio of the Federal National Mortgage Association” and  
 21 inserting in lieu thereof “federally owned mortgage  
 22 portfolios”.

23 (c) Section 302 (a) of such Act is amended—

24 (1) by inserting “(1)” immediately following  
 25 “(a)”;



1           (2) by striking out “(hereinafter referred to as  
2       the ‘Association’)”; and

3           (3) by adding at the end thereof the following  
4       new paragraph:

5       “(2) On the effective date established pursuant to sec-  
6       tion 807 of the Housing and Urban Development Act of  
7       1968, the body corporate described in the foregoing para-  
8       graph shall cease to exist in that form and is hereby parti-  
9       tioned into two separate and distinct bodies corporate, each  
10      of which shall have continuity and corporate succession as a  
11      separated portion of the previously existing body corporate,  
12      as follows:

13       “(A) One of such separated portions shall be a body  
14      corporate without capital stock to be known as Government  
15      National Mortgage Association (hereinafter referred to as  
16      the Association), which shall be in the Department of  
17      Housing and Urban Development and which shall retain  
18      the assets and liabilities acquired and incurred under sections  
19      305 and 306 prior to such effective date, including any and  
20      all liabilities incurred pursuant to section 302 (c). The Asso-  
21      ciation shall have succession until dissolved by Act of Con-  
22      gress. It shall maintain its principal office in the District of  
23      Columbia and shall be deemed, for purposes of venue in civil  
24      actions, to be a resident thereof. Agencies or offices may be  
25      established by the Association in such other place or places



1 as it may deem necessary or appropriate in the conduct of  
2 its business.

3 “(B) The other such separated portion shall be a body  
4 corporate to be known as Federal National Mortgage Asso-  
5 ciation (hereinafter referred to as the corporation), which  
6 shall retain the assets and liabilities acquired and incurred  
7 under sections 303 and 304 prior to such effective date. The  
8 corporation shall have succession until dissolved by Act of  
9 Congress. It shall maintain its principal office in the District  
10 of Columbia and shall be deemed, for purposes of venue  
11 in civil actions, to be a resident thereof.”.

12 (d) Section 302 (b) of such Act is amended—

13 (1) by striking out “the Association is authorized”  
14 and inserting in lieu thereof “each of the bodies corporate  
15 named in subsection (a) (2) is authorized”;

16 (2) by striking out “lend (under section 304) on  
17 the security of,”;

18 (3) by inserting immediately before the colon  
19 “; and the corporation is authorized to lend on the  
20 security of any such mortgages and to purchase, sell,  
21 or otherwise deal in any securities guaranteed by the  
22 Association under section 306 (g)”; and

23 (4) by striking out “no mortgage may be pur-  
24 chased” and inserting in lieu thereof “the Association  
25 may not purchase any mortgage”.

1 (e) Section 302 (c) (1) of such Act is amended by  
2 striking out “, consistent with section 307,”.

3 (f) Section 302 (c) (2) (C) of such Act is amended to  
4 read as follows:

5 “(C) The Department of Housing and Urban  
6 Development.”.

7 (g) Section 302 (c) (2) of such Act is amended by  
8 striking out “incurred by the Federal National Mortgage”  
9 and inserting in lieu thereof “incurred by the”.

10 (h) The heading of section 303 of such Act is amended  
11 to read as follows: “CAPITALIZATION—FEDERAL NATIONAL  
12 MORTGAGE ASSOCIATION”.

13 (i) Section 303 (a) of such Act is amended—

14 (1) by striking out “nonvoting common stock” and  
15 inserting in lieu thereof “common stock, without par  
16 value, which shall be vested with all voting rights, each  
17 share being entitled to one vote with rights of cumula-  
18 tive voting at all elections of directors”;

19 (2) by striking out “nonvoting preferred stock” and  
20 inserting in lieu thereof “nonvoting preferred stock, with  
21 a par value of \$100 per share,”;

22 (3) by striking out the second and third sentences  
23 thereof and inserting in lieu thereof “The free transfera-  
24 bility of the common stock at all times to any person,  
25 firm, corporation, or other entity shall not be restricted



1       except that, as to the corporation, it shall be transfer-  
2       able only on the books of the corporation.”;

3           (4) by striking out “of the capital surplus and the  
4       general surplus accounts”;

5           (5) by striking out “retire” and inserting in lieu  
6       thereof “retire, at par,”; and

7           (6) by striking out “the Association shall deem  
8       feasible” and inserting in lieu thereof “possible subse-  
9       quent to the effective date established pursuant to section  
10      807 of the Housing and Urban Development Act of  
11      1968”.

12      (j) Section 303 (b) of such Act is amended—

13           (1) by striking out “for its services” and inserting  
14       in lieu thereof ”, which may be regarded as elements of  
15       pricing,”; and

16           (2) by striking out the last sentence thereof.

17      (k) Section 303 (c) of such Act is amended—

18           (1) by striking out “(only in denominations of  
19       \$100 or multiples thereof) ”;

20           (2) by inserting immediately after the first sen-  
21       tence thereof “In addition to the shares of common stock  
22       issued under the foregoing sentence, the corporation may  
23       issue additional shares in return for appropriate pay-  
24       ments into capital or capital and surplus. The corpora-  
25       tion shall at all times require each servicer of its mort-

gages to own a minimum amount of common stock of the corporation, measured by its stated value. Such minimum amount shall be not less than 2 per centum nor more than 4 per centum, as determined from time to time by the corporation with the approval of the Secretary of Housing and Urban Development, of the aggregate outstanding principal balances of all mortgages of the corporation which have been purchased subsequent to the effective date established pursuant to section 807 of the Housing and Urban Development Act of 1968 and which are then serviced by such servicer for the corporation.”; and

(3) by striking out “the general surplus account of the Association shall not be reduced through the payment of dividends applicable to such common stock which exceed in the aggregate 5 per centum of the par value of the outstanding common stock of the Association” and inserting in lieu thereof “the aggregate amount of cash dividends paid on account of any share of such stock shall not exceed any rate which may be determined from time to time by the Secretary of Housing and Urban Development to be a fair rate of return after consideration of the current earnings and capital condition of the corporation”.



1       (1) Section 303 (d) of such Act is amended by striking  
2 out “\$225,000,000” and inserting in lieu thereof “\$225,-  
3 000,000; but no such stock may be issued subsequent to the  
4 effective date established pursuant to section 807 of the  
5 Housing and Urban Development Act of 1968”.

6       (m) Section 303 (g) of such Act is repealed.

7       (n) The heading of section 304 of such Act is amended  
8 to read as follows: “SECONDARY MARKET OPERATIONS—FED-  
9 ERAL NATIONAL MORTGAGE ASSOCIATION”.

10       (o) Section 304 (a) (1) of such Act is amended by  
11 striking out “and the Association shall not purchase any  
12 mortgage insured or guaranteed prior to the effective date of  
13 the Housing Act of 1954”.

14       (p) Section 304 (b) of such Act is amended by strik-  
15 ing out “earnings, and in” and inserting in lieu thereof  
16 “earnings unless a greater ratio shall be fixed at any time  
17 or from time to time by the Secretary of Housing and Urban  
18 Development. In”.

19       (q) Section 304 (c) of such Act is amended by striking  
20 out “(1) all of the preferred stock of the Association held  
21 by the Secretary of the Treasury has been retired, or (2)”.

22       (r) Sections 303 and 304 of such Act, as amended by  
23 the foregoing subsections of this section, are further  
24 amended—

25               (1) by striking out “Association” each place it ap-

1       pears and inserting in lieu thereof, in each such place,  
2       “corporation”; and

3       (2) by striking out “Association’s” each place it  
4       appears and inserting in lieu thereof, in each such place,  
5       “corporation’s”.

6       (s) The heading of section 305 of such Act is amended  
7       to read as follows: “SPECIAL ASSISTANCE FUNCTIONS—  
8       GOVERNMENT NATIONAL MORTGAGE ASSOCIATION”.

9       (t) The heading of section 306 of such Act is amended  
10      to read as follows: “MANAGEMENT AND LIQUIDATING  
11      FUNCTIONS—GOVERNMENT NATIONAL MORTGAGE ASSOCIA-  
12      TION”.

13      (u) Subsections (a) and (b) of section 307 of such  
14      Act are repealed.

15      (v) Section 307 (c) of such Act is amended by striking  
16      out “board of directors of the Association” and inserting in  
17      lieu thereof “Secretary of Housing and Urban Development”.

18      (w) The heading of section 308 of such Act is amended  
19      to read as follows:

20                               “MANAGEMENT”.

21      (x) Section 308 of such Act is amended—

22              (1) by inserting “(a)” immediately following  
23              “308”;

24              (2) by striking out the first two sentences thereof  
25              and inserting in lieu thereof “All the powers and duties



1 of the Government National Mortgage Association shall  
2 be vested in the Secretary of Housing and Urban De-  
3 velopment and the Association shall be administered un-  
4 der the direction of the Secretary.”;

5 (3) by striking out “the board shall determine” and  
6 inserting in lieu thereof “the Secretary shall determine”;

7 (4) by striking out “Association. The chairman of  
8 the board” and inserting in lieu thereof “Association, and  
9 shall have power to adopt, amend, and repeal bylaws  
10 governing the performance of the powers and duties  
11 granted to or imposed upon it by law. The Secretary”;

12 (5) by striking out “board of directors,” and insert-  
13 ing in lieu thereof “Secretary,”;

14 (6) by striking out the last sentence thereof; and

15 (7) by adding at the end thereof the following new  
16 subsection:

17 “(b) The Federal National Mortgage Association shall  
18 have a board of directors which shall consist of not less than  
19 nine nor more than fifteen persons, one-third of whom shall  
20 be appointed annually by the Secretary, and the remainder  
21 of whom shall be elected annually by the common stock-  
22 holders. The board shall at all times have as members  
23 appointed by the Secretary at least one person from the home  
24 building industry and at least one person from the real  
25 estate industry. Each member of the board of directors shall

1 be appointed or elected for a term ending on the date of  
2 the next annual meeting of the stockholders, except that any  
3 such member may be removed from office by the Secre-  
4 tary for good cause. Any elective seat on the board which  
5 becomes vacant after the annual election of the directors  
6 shall be filled by the board, but only for the unexpired  
7 portion of the term. Any appointive seat which becomes  
8 vacant shall be filled by appointment of the Secretary, but  
9 only for the unexpired portion of the term. Within the  
10 limitations of law and regulation, the board shall deter-  
11 mine the general policies which shall govern the opera-  
12 tions of the corporation, and shall have power to adopt,  
13 amend, and repeal bylaws governing the performance of  
14 the powers and duties granted to or imposed upon it by law.  
15 The board of directors shall select and effect the appoint-  
16 ment of qualified persons to fill the offices of president and  
17 vice president, and such other offices as may be provided for  
18 in the bylaws. Any member of the board who is a full-time  
19 officer or employee of the Federal Government shall not,  
20 as such member, receive compensation for his services.”.

21 (y) Section 309 (a) of such Act is amended—

22 (1) by striking out “The Association” and insert-  
23 ing in lieu thereof “Each of the bodies corporate named  
24 in section 302 (a) (2)”;



1           (2) by striking out “by its board of directors, to  
2       adopt, amend, and repeal bylaws governing the per-  
3       formance of the powers and duties granted to or imposed  
4       upon it by law;”;

5           (3) by striking out “conduct its business” and in-  
6       serting in lieu thereof “conduct its business without re-  
7       gard to any qualification or similar statute”;

8           (4) by striking out “the Association may deem”  
9       and inserting in lieu thereof “it may deem”; and

10          (5) by striking out “the purposes of the Associa-  
11       tion” and inserting in lieu thereof “its purposes”.

12       (z) Section 309 (c) of such Act is amended—

13           (1) by striking out “(1)”;

14           (2) by striking out “The Association” and insert-  
15       ing in lieu thereof “(1) The Government National  
16       Mortgage Association”;

17           (3) by striking out “, and (2) the Association  
18       shall, with respect to its secondary market operations  
19       under section 304 after the cutoff date referred to in  
20       section 303 (d) of this title, pay annually to the Secre-  
21       tary of the Treasury, for covering into miscellaneous  
22       receipts, an amount equivalent to the amount of Federal  
23       income taxes for which it would be subject if it were not  
24       exempt from such taxes with respect to such secondary  
25       market operations”; and

1           (4) by adding at the end thereof the following new  
2 paragraph:

3       “(2) The Federal National Mortgage Association, in-  
4 cluding its franchise, capital, reserves, surplus, mortgages or  
5 other security holdings, and income, shall be exempt from  
6 all taxation now or hereafter imposed by any State, terri-  
7 tory, possession, Commonwealth, or dependency of the  
8 United States, or by the District of Columbia, or by any  
9 county, municipality, or local taxing authority, except that  
10 any real property of the corporation shall be subject to State,  
11 territorial, county, municipal, or local taxation to the same  
12 extent as other real property is taxed.”

13       (aa) Section 309 (d) of such Act is amended—

14           (1) by inserting “(1)” immediately following  
15 “(d)”;

16           (2) by striking out “Chairman of the Board” and  
17 inserting in lieu thereof “Secretary of Housing and  
18 Urban Development”;

19           (3) by striking out “agents,” and inserting in lieu  
20 thereof “agents of the Government National Mortgage  
21 Association,”; and

22           (4) by adding at the end thereof the following  
23 new paragraph:

24       “(2) The board of directors of the Federal National



1 Mortgage Association shall have the power to select and  
2 appoint or employ such officers, attorneys, employees, and  
3 agents, to vest them with such powers and duties, and to fix  
4 and to cause the corporation to pay such compensation to  
5 them for their services, as it may determine; and any such  
6 action shall be without regard to the Federal civil service  
7 and classification laws. Appointments, promotions, and sep-  
8 arations so made shall be based on merit and efficiency, and  
9 no political test or qualification shall be permitted or given  
10 consideration. Each officer and employee of the corporation  
11 who is employed by the corporation prior to the termination  
12 of the transitional period referred to in section 809 (b) of  
13 the Housing and Urban Development Act of 1968 and who  
14 on the day previous to the beginning of such employment  
15 will have been subject to the civil service retirement law  
16 (subch. III of ch. 83 of title 5, United States Code),  
17 shall, so long as his employment by the corporation con-  
18 tinues without a break in continuity of service, continue  
19 to be subject to such law; and for the purpose of such law  
20 his employment by the corporation without a break in con-  
21 tinuity of service shall be deemed to be employment by the  
22 Government of the United States. The corporation shall con-  
23 tribute to the Civil Service Retirement and Disability Fund  
24 a sum as provided by section 8334 (a) of title 5, United  
25 States Code, except that such sum shall be determined by

1 applying to the total basic pay (as defined in 5 U.S.C.  
2 8331 (3) and except as hereinafter provided) paid to the  
3 employees of the corporation who are covered by the civil  
4 service retirement law, the per centum rate determined an-  
5 nually by the United States Civil Service Commission to be  
6 the excess of the total normal cost per centum rate of the  
7 civil service retirement system over the employee deduction  
8 rate specified in section 8334 (a) of title 5, United States  
9 Code. The corporation shall also pay into the Civil Service  
10 Retirement and Disability Fund such portion of the cost of  
11 administration of the fund as is determined by the United  
12 States Civil Service Commission to be attributable to its  
13 employees. Notwithstanding the foregoing provisions, there  
14 shall not be considered for the purposes of the civil service  
15 retirement law that portion of the basic pay in any one year  
16 of any officer or employee of the corporation which exceeds  
17 the basic pay provided for in section 5312 of title 5, United  
18 States Code, on the last day of such year. Except as provided  
19 in this subsection, the corporation shall not be subject to  
20 the provisions of title 5, United States Code.”.

21 (bb) Section 309 (e) of such Act is amended—

22 (1) by striking out “body corporate created by  
23 section 302” and inserting in lieu thereof “bodies cor-  
24 porate named in section 302 (a) (2)”;  
25

(2) by inserting “, ‘Government National Mort-



1       gage Association’,” immediately following “‘Federal  
2       National Mortgage Association’ ”; and

3               (3) by striking out the second sentence and insert-  
4       ing in lieu thereof “Violations of the foregoing sentence  
5       may be enjoined by any court of general jurisdiction at  
6       the suit of the proper body corporate. In any such suit,  
7       the plaintiff may recover any actual damages flowing  
8       from such violation, and, in addition, shall be entitled to  
9       punitive damages (regardless of the existence or non-  
10      existence of actual damages) of not exceeding \$100 for  
11      each day during which such violation is committed or  
12      repeated.”.

13      (cc) Section 309 (g) of such Act is amended to read as  
14      follows:

15      “(g) The Federal Reserve banks are authorized and  
16      directed to act as depositaries, custodians, and fiscal agents  
17      for each of the bodies corporate named in section 302 (a)  
18      (2), for its own account or as fiduciary, and such banks shall  
19      be reimbursed for such services in such manner as may be  
20      agreed upon; and each of such bodies corporate may itself act  
21      in such capacities, for its own account or as fiduciary, and for  
22      the account of others.”.

23      (dd) Section 309 of such Act is amended by adding  
24      thereto the following new subsection:

25      “(h) The Secretary of Housing and Urban Develop-

1 ment shall have general regulatory power over the Federal  
2 National Mortgage Association and shall make such rules  
3 and regulations as shall be necessary and proper to insure  
4 that the purposes of this title are accomplished. No stock,  
5 obligation, security, or other instrument shall be issued by  
6 the corporation without the prior approval of the Secretary.  
7 The Secretary may require that a reasonable portion of  
8 the corporation's mortgage purchases be related to the  
9 national goal of providing adequate housing for low and  
10 moderate income families, but with reasonable economic  
11 return to the corporation. The Secretary may examine and  
12 audit the books and financial transactions of the corporation,  
13 and he may require the corporation to make such reports  
14 on its activities as he deems advisable.”.

15 (ee) Section 311 of such Act is amended—

16 (1) by striking out “the Association” and insert-  
17 ing in lieu thereof “either of the bodies corporate named  
18 in section 302 (a) (2)”; and

19 (2) by adding at the end thereof “All stock, obliga-  
20 tions, securities, participations, or other instruments  
21 issued pursuant to this title shall, to the same extent  
22 as securities which are direct obligations of or obliga-  
23 tions guaranteed as to principal or interest by the United  
24 States, be deemed to be exempt securities within the  
25 meaning of laws administered by the Securities and



1       Exchange Commission; but all such issuances shall be  
2       made only with the approval of the Secretary of Hous-  
3       ing and Urban Development.”.

4                                   PARTICIPATIONS

5       SEC. 803. Section 302 (c) (5) of the Federal National  
6       Mortgage Association Charter Act is amended by inserting  
7       at the end thereof the following: “In the event that the  
8       insufficiency required by the trustee is on account of principal  
9       maturities of outstanding beneficial interests of participations  
10      authorized to be issued pursuant to paragraph (4) of this  
11      subsection, or pursuant hereto, the trustee is authorized to  
12      elect to issue additional beneficial interests or participations  
13      for refinancing purposes in lieu of requiring any trustor or  
14      trustors to make payments to the trustee from appropriated  
15      funds or other sources. Each such issue of beneficial in-  
16      terests or participations shall be in an amount determined by  
17      the trustee but not in excess of the aggregate amount which  
18      the trustee would otherwise require the trustor or trustors  
19      to pay from appropriated funds or other sources, and may be  
20      issued without regard to the provisions of paragraph (4)  
21      of this subsection. All refinancing issues of beneficial in-  
22      terests or participations shall be deemed to have been issued  
23      pursuant to the authority contained in the appropriation Act  
24      or Acts under which the beneficial interests or participations  
25      were originally issued.”.

## MORTGAGE-BACKED SECURITIES

SEC. 804. (a) Section 304 of the Federal National Mortgage Association Charter Act is amended by adding at the end thereof the following new subsection:

“(d) To provide a greater degree of liquidity to the mortgage investment market and an additional means of financing its operations under this section, the corporation is authorized to set aside any mortgages held by it under this section, and, upon approval of the Secretary of the Treasury, to issue and sell securities based upon the mortgages so set aside. Securities issued under this subsection may be in the form of debt obligations or trust certificates of beneficial interest, or both. Securities issued under this subsection shall have such maturities and bear such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury. Securities issued by the corporation under this subsection shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal and interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. Mortgages set aside pursuant to this subsection shall at all times be adequate to enable the corporation to make timely principal and interest payments on the securities issued and sold pursuant to this subsection.”.



1       (b) Section 306 of such Act is amended by adding at  
2 the end thereof the following new subsection:

3       “(g) The Association is authorized, upon such terms and  
4 conditions as it may deem appropriate, to guarantee the  
5 timely payment of principal of and interest on such trust  
6 certificates or other securities as shall (1) be issued by the  
7 Federal National Mortgage Association under section 304  
8 (d), or by any other issuer approved for the purposes of this  
9 subsection by the Association, and (2) be based on and  
10 backed by a trust or pool composed of mortgages which are  
11 insured under the National Housing Act or title V of the  
12 Housing Act of 1949, or which are insured or guaranteed  
13 under the Servicemen’s Readjustment Act of 1944 or chap-  
14 ter 37 of title 38, United States Code. The Association  
15 shall collect from the issuer a reasonable fee for any guaranty  
16 under this subsection and shall make such charges as it may  
17 determine to be reasonable for the analysis of any trust or  
18 other security arrangement proposed by the issuer. In the  
19 event the issuer is unable to make any payment of principal  
20 of or interest on any security guaranteed under this sub-  
21 section, the Association shall make such payment as and  
22 when due in cash, and thereupon shall be subrogated fully  
23 to the rights satisfied by such payment. Any Federal, State,  
24 or other law to the contrary notwithstanding, the Association  
25 is hereby empowered, in connection with any guaranty under

1 this subsection, whether before or after any default, to pro-  
2 vide by contract with the issuer for the extinguishment, upon  
3 default by the issuer, of any redemption, equitable, legal, or  
4 other right, title, or interest of the issuer in any mortgage  
5 or mortgages constituting the trust or pool against which the  
6 guaranteed securities are issued; and with respect to any  
7 issue of guaranteed securities, in the event of default and  
8 pursuant otherwise to the terms of the contract, the mort-  
9 gages that constitute such trust or pool shall become the  
10 absolute property of the Association subject only to the un-  
11 satisfied rights of the holders of the securities based on and  
12 backed by such trust or pool. The full faith and credit of the  
13 United States is pledged to the payment of all amounts  
14 which may be required to be paid under any guaranty under  
15 this subsection. There shall be excluded from the total  
16 amounts set forth in subsection (c) the amounts of any  
17 mortgages acquired by the Association as a result of its op-  
18 erations under this subsection.”.

19 SUBORDINATED AND CONVERTIBLE OBLIGATIONS

20 SEC. 805. Section 304 of the Federal National Mort-  
21 gage Association Charter Act is amended by adding thereto  
22 (after subsection (d) as added by section 804 of this Act)  
23 the following new subsection:

24 “(e) For the purposes of this section, the corporation  
25 is authorized to issue, upon the approval of the Secretary



1 of the Treasury, obligations which are subordinated to any  
2 or all other obligations of the corporation, including sub-  
3 sequent obligations. The obligations issued under this sub-  
4 section shall have such maturities and bear such rate or  
5 rates of interest as may be determined by the corporation  
6 with the approval of the Secretary of the Treasury and may  
7 be made redeemable at the option of the corporation before  
8 maturity in such manner as may be stipulated in such  
9 obligations. Any of such obligations may be made convert-  
10 ible into shares of common stock in such manner, at such  
11 price or prices, and at such time or times as may be stipulated  
12 therein. The total principal amount of such subordinated  
13 obligations which may be outstanding at any one time shall  
14 not exceed two times the sum of (1) the capital of the cor-  
15 poration represented by its outstanding common stock and  
16 (2) its surplus and undistributed earnings at such time. The  
17 outstanding total principal amount of such obligations which  
18 are entirely subordinated to the obligations of the corpora-  
19 tion issued or to be issued under subsection (b) shall be  
20 deemed to be capital of the corporation for the purpose of  
21 determining the aggregate amount of obligations issued  
22 under subsection (b) which may be outstanding at any  
23 one time. Obligations issued by the corporation under this  
24 subsection shall, to the same extent as securities which are  
25 direct obligations of or obligations guaranteed as to principal

1 or interest by the United States, be deemed to be exempt  
2 securities within the meaning of laws administered by the  
3 Securities and Exchange Commission. The corporation shall  
4 insert appropriate language in all of its obligations issued  
5 under this subsection clearly indicating that such obliga-  
6 tions, together with the interest thereon, are not guaranteed  
7 by the United States and do not constitute a debt or obliga-  
8 tion of the United States or of any agency or instrumen-  
9 tality thereof other than the corporation. The corporation is  
10 authorized to purchase in the open market any of its obli-  
11 gations outstanding under this subsection at any time and at  
12 any price.”.

13 AMENDMENTS TO OTHER LAWS

14 SEC. 806. (a) Section 306 (b) of the Housing Act of  
15 1959 is amended by striking out “Federal National Mort-  
16 gage Association pursuant” and inserting in lieu thereof  
17 “Government National Mortgage Association pursuant”.

18 (b) Section 312 (d) of the Housing Act of 1964 is  
19 amended by striking out “Federal” and inserting in lieu  
20 thereof “Government”.

21 (c) Section 5 (b) of the Department of Housing and  
22 Urban Development Act is amended—

23 (1) by striking out “The Federal” and inserting  
24 in lieu thereof “The Government”; and

25 (2) by striking out “, and the position of Presi-



1       dent of said Association is hereby allocated among the  
2       positions referred to in section 7 (c) hereof”.

3       (d) Section 7 (b) of the Department of Housing and  
4       Urban Development Act is repealed.

5       (e) Section 101 of the Government Corporation Control  
6       Act is amended by striking out “Federal National Mortgage  
7       Association” and inserting in lieu thereof “Government Na-  
8       tional Mortgage Association”.

9       (f) Section 13 (4) (F) of the Public Buildings Act  
10      of 1959 is amended by striking out “Federal” and inserting  
11      in lieu thereof “Government”.

12      (g) Section 6 (b) of the Participation Sales Act of  
13      1966 is amended by striking out “secondary market opera-  
14      tions carried on by the Federal” and inserting in lieu thereof  
15      “the Government”.

16      (h) Section 1820 (e) of title 38, United States Code, is  
17      amended by striking out “Federal National” in three places  
18      and inserting in lieu thereof, in each such place, “Govern-  
19      ment National”.

20      (i) Section 709 of title 18, United States Code, is  
21      amended by striking out “Federal National Mortgage As-  
22      sociation” each place it appears and inserting in lieu thereof,  
23      in each such place, “Government National Mortgage As-  
24      sociation”.

25      (j) Section 5136 of the Revised Statutes is amended

1 by inserting “or the Government National Mortgage Asso-  
2 ciation” immediately following “Federal National Mortgage  
3 Association”.

4 (k) Section 11 (h) of the Federal Home Loan Bank  
5 Act is amended by inserting “or the Government National  
6 Mortgage Association, in the stock of the Federal National  
7 Mortgage Association” immediately following “Federal Na-  
8 tional Mortgage Association”.

9 (l) Section 16 of the Federal Home Loan Bank Act  
10 is amended by inserting “or the Government National Mort-  
11 gage Association” immediately following “Federal National  
12 Mortgage Association”.

13 (m) Section 5 (c) of the Home Owners’ Loan Act of  
14 1933 is amended by inserting “or the Government National  
15 Mortgage Association,” immediately following “Federal Na-  
16 tional Mortgage Association” and by inserting “or the stock  
17 of the Federal National Mortgage Association” immediately  
18 after “any other agency of the United States”.

19 (n) Section 8 (8) (E) of the Federal Credit Union  
20 Act is amended by inserting “or the Government National  
21 Mortgage Association” immediately following “Federal Na-  
22 tional Mortgage Association”.

23 EFFECTIVE DATE

24 SEC. 807. The amendments made by this title shall be  
25 effective from and after a date, no more than one hundred



1 and twenty days following the date of enactment of this  
2 Act, as established by the Secretary of Housing and Urban  
3 Development. Notice of the establishment of such effective  
4 date shall be published in the Federal Register at least thirty  
5 days prior thereto.

6 SAVINGS PROVISIONS

7 SEC. 808. (a) No cause of action by or against the  
8 Federal National Mortgage Association existing prior to the  
9 effective date established pursuant to section 807 shall abate  
10 by reason of this enactment. Any such cause of action may  
11 thereafter be asserted by or against the appropriate corpo-  
12 ration.

13 (b) No suit, action, or other proceeding commenced  
14 by or against the Federal National Mortgage Association,  
15 or any officer thereof in his official capacity, prior to the  
16 effective date established pursuant to section 807 shall abate  
17 by reason of this enactment. A court may at any time there-  
18 after during the pendency of any such litigation, on its own  
19 motion or that of any party, order that the same may be  
20 maintained by or against the appropriate corporation or the  
21 appropriate corresponding officer thereof.

22 TRANSITIONAL PROVISIONS

23 SEC. 809. (a) On the effective date established pursuant  
24 to section 807 of this Act, each share of outstanding non-  
25 voting common stock, with a par value of \$100 per share,

1 of the Federal National Mortgage Association shall be  
2 changed into and shall become one share of voting common  
3 stock, without par value, of such corporation.

4 (b) (1) The provisions of section 308 (b) of the Federal  
5 National Mortgage Association Charter Act (as added by  
6 section 802 (x) (7) of this Act) shall be applicable only  
7 to the extent that its provisions do not conflict with this  
8 subsection.

9 (2) For a transitional period after the effective date  
10 established pursuant to section 807 of this Act, the board of  
11 directors of the Federal National Mortgage Association shall  
12 consist of nine persons. For a term expiring on the date of  
13 the first annual meeting of the corporation's stockholders, all  
14 members of the board shall be appointed by the Secretary  
15 of Housing and Urban Development. For a term beginning  
16 on such date, seven members of the board shall be appointed  
17 by the Secretary, and two members shall be elected by the  
18 common stockholders. For subsequent terms beginning prior  
19 to the termination of the transitional period, five members  
20 shall be appointed by the Secretary, and four members shall  
21 be elected by the common stockholders. For each term be-  
22 ginning prior to the termination of the transitional period,  
23 the Secretary shall appoint as a member of the board the  
24 president of the corporation.



1       (3) The transitional period referred to in paragraph  
2       (2) shall come to an end at such time as the board of di-  
3       rectors shall find, with the approval of the Secretary, that  
4       not less than one-third of the corporation's common stock  
5       is owned by persons or institutions in the mortgage lending,  
6       homebuilding, real estate, or related businesses; but in no  
7       event shall it end sooner than May 1, 1970, nor later than  
8       May 1, 1973.

9       (c) From the effective date established pursuant to sec-  
10      tion 807 and until the retirement of the last of the outstand-  
11      ing shares of its preferred stock, the Federal National Mort-  
12      gage Association shall be deemed to be a wholly owned  
13      corporation for the purposes of the Government Corporation  
14      Control Act.

15      (d) Those persons who are the officers and employees  
16      of the Federal National Mortgage Association immediately  
17      prior to the effective date established pursuant to section  
18      807 shall become the officers and employees of the Govern-  
19      ment National Mortgage Association on such date. The  
20      Federal National Mortgage Association and the Government  
21      National Mortgage Association shall provide by contract for  
22      the conditions and methods under which and by which the  
23      Federal National Mortgage Association during the transi-  
24      tional period may employ those individuals who are em-  
25      ployees of the Government National Mortgage Association

1 on such effective date; and may provide by contract for the  
2 operation by either of such corporations of any of the func-  
3 tions of the other. The Secretary of Housing and Urban  
4 Development shall make every reasonable effort to place in  
5 other comparable Federal positions any individuals who are  
6 career or career-conditional employees of the Government  
7 National Mortgage Association on such effective date and  
8 who are subsequently during the transitional period neither  
9 employed by the Federal National Mortgage Association nor  
10 retained by the Government National Mortgage Association.

## 11 TITLE IX—NATIONAL HOUSING PARTNERSHIPS

### 12 STATEMENT OF PURPOSE

13 SEC. 901. The Congress finds that the volume of  
14 housing being produced for families and individuals of low  
15 or moderate income must be increased to meet the national  
16 goal of a decent home and a suitable living environment for  
17 every American family, and declares that it is the policy of  
18 the United States to encourage the widest possible partici-  
19 pation by private enterprise in the provision of housing for  
20 low or moderate income families. The Congress has there-  
21 fore determined that one or more private organizations should  
22 be created to encourage maximum participation by private  
23 investors in programs and projects to provide low and mod-  
24 erate income housing.



## CREATION OF CORPORATIONS

SEC. 902. (a) There is hereby authorized to be created a private corporation for profit (hereinafter in this title referred to as the "corporation"). The corporation will not be an agency or establishment of the United States Government. The corporation shall be subject to the provisions of this title and, to the extent consistent with this title, to the District of Columbia Business Corporation Act (D.C. Code, sec. 29-901 et seq.).

(b) Whenever the President finds it in the national interest to do so, he may cause the creation of an additional corporation or additional corporations to carry out the purposes of this title. All the provisions of this title shall thereupon become applicable to each such corporation, and to the limited partnership formed by it pursuant to section 907 of this title.

(c) Nothing in this title shall be construed to preclude private persons from creating other corporations and organizing other partnerships, joint ventures, or associations for the purposes set forth in this title as the purposes of the corporation and the partnership described in section 907 of this title.

## PROCESS OF ORGANIZATION

SEC. 903. (a) The President of the United States shall appoint, by and with the advice and consent of the Senate, incorporators of the corporation, one of whom shall be desig-

1 nated by the President to serve as chairman. The incorpora-  
2 tors shall serve as the initial board of directors until the first  
3 annual meeting of stockholders or until their successors are  
4 elected and have qualified.

5 (b) The incorporators shall take whatever actions are  
6 necessary or appropriate to establish the corporation, includ-  
7 ing the filing of articles of incorporation as approved by the  
8 President.

9 (c) The incorporators shall also arrange for an initial  
10 offering of shares of stock in the corporation and of interests  
11 in the partnership described in section 907 of this title. If the  
12 incorporators deem it advisable in order to carry out the pur-  
13 poses of this title, the initial offering may be made upon  
14 terms which require the purchase of other securities of the  
15 corporation or of interests in such partnership.

16 DIRECTORS

17 SEC. 904. The corporation shall have a board of di-  
18 rectors (hereinafter in this section referred to as the  
19 "board"), consisting of fifteen members. Three members of  
20 the board shall be appointed by the President of the United  
21 States, by and with the advice and consent of the Senate,  
22 effective the date on which the other members are elected,  
23 and for terms of three years or until their successors have  
24 been appointed and have qualified, except that the first three  
25 members of the board so appointed shall continue in office



1 for terms of one, two, and three years, respectively, and any  
2 member so appointed to fill a vacancy shall be appointed  
3 only for the unexpired term of the director whom he suc-  
4 ceeds. Twelve members of the board shall be elected by the  
5 stockholders.

6 FINANCING THE CORPORATION

7 SEC. 905. The corporation shall have the power to  
8 create and issue the number of shares stated in its articles  
9 of incorporation. Such shares may be divided into one or  
10 more classes, any or all of which classes may consist of  
11 shares with par value or shares without par value, with such  
12 designations, preferences, voting powers, special or relative  
13 rights and such limitations, restrictions, or qualifications  
14 thereof as shall be stated in the articles of incorporation.  
15 The articles of incorporation may limit or deny the voting  
16 power of the shares of any class.

17 PURPOSES AND POWERS OF THE CORPORATION

18 SEC. 906. (a) In order to achieve the objectives and  
19 to carry out the purposes of this title, the corporation is  
20 authorized to—

21 (1) plan, initiate, and carry out, pursuant to Fed-  
22 eral programs or otherwise, the building or rehabilita-  
23 tion of housing and related facilities primarily for the  
24 benefit of families and individuals of low or moderate  
25 income;

(2) buy, own, manage, lease, or otherwise acquire or dispose of property in connection with the developments, projects, or undertakings referred to in clause (1) of this subsection (a) ; and

(3) provide such funds as may be necessary to accomplish the developments, projects, or undertakings referred to in clause (1) of this subsection (a) .

(b) Included in the activities authorized to the corporation for the accomplishment of the purposes indicated in subsection (a) of this section are, among others not specifically named—

(1) to enter into partnerships, limited partnerships, joint ventures, and other associations with individuals, corporations, and private and governmental agencies, organizations, and institutions;

(2) to act as manager or general partner of any such partnership, venture, or association;

(3) to conduct or contract for research and studies related to the development, demonstration, and evaluation of improved techniques and methods of constructing, rehabilitating, and maintaining housing;

(4) to provide technical assistance to nonprofit corporations, limited dividend corporations, and others with respect to the planning, financing, construction,



1 rehabilitation, maintenance, and management of housing  
2 for low and moderate income families and individuals;

3 (5) to make loans or grants, including grants of  
4 interests in housing and related facilities, to nonprofit  
5 corporations, limited dividend corporations, and others,  
6 in carrying out its activities under subsection (a) of this  
7 section; and

8 (6) to hire or accept the voluntary services of con-  
9 sultants, experts, advisory boards, and panels to aid the  
10 corporation in carrying out the purposes of this title.

11 (c) To carry out the foregoing purposes and engage in  
12 the foregoing activities, the corporation shall have the usual  
13 powers conferred upon a stock corporation by the District of  
14 Columbia Business Corporation Act.

15 NATIONAL HOUSING PARTNERSHIP

16 SEC. 907. (a) The corporation is authorized to arrange  
17 for the formation, as a separate organization, of a limited  
18 partnership (hereinafter in this title referred to as the "part-  
19 nership") under the District of Columbia Uniform Limited  
20 Partnership Act (D.C. Code, sec. 41-401 et seq.) for the  
21 purpose of engaging in any of the activities authorized for  
22 the corporation under section 906 of this title, and to enter  
23 into a partnership agreement governing the affairs of such  
24 limited partnership.

25 (b) The partnership shall be subject to the provisions;

1 to the extent consistent with this title, of (1) the District of  
2 Columbia Uniform Limited Partnership Act and (2) those  
3 provisions of the District of Columbia Uniform Partnership  
4 Act (D.C. Code, sec. 41-301 et seq.) made applicable by  
5 section 6 (2) of that Act (D.C. Code, sec 41-305 (2) ). Not-  
6 withstanding any inconsistency between the provisions of  
7 such Acts, or of any other law, and the provisions of this  
8 section, the partnership organized pursuant to this section  
9 shall be deemed to have the legal status of a limited partner-  
10 ship.

11 (c) The partnership is authorized to enter into partner-  
12 ships, limited partnerships, or joint ventures organized under  
13 applicable State or local law for the purpose of engaging in  
14 low and moderate income housing developments, projects, or  
15 undertakings in particular localities.

16 (d) The corporation shall be the general partner in the  
17 partnership. The capital of the partnership and the contri-  
18 butions of the partners shall be in such amounts and at such  
19 times as are set forth in or pursuant to the partnership  
20 agreement.

21 (e) The partnership agreement shall include provi-  
22 sions designed to assure that (1) the partnership shall par-  
23 ticipate in low and moderate income housing developments,  
24 projects, or undertakings in a manner designed to encourage  
25 the participation therein of local interests, and (2) in any



1 such development, project, or undertaking the partnership  
2 shall not subscribe to more than 25 per centum (including  
3 equity investments made in services or property) of the  
4 aggregate initial equity investment unless, in the judgment  
5 of the corporation as general partner, the balance of the  
6 required equity investment is not readily obtainable from  
7 other responsible investors residing or doing business in the  
8 local community.

9 (f) The partnership agreement may without limita-  
10 tion (1) permit each of the stockholders of the Corporation  
11 to become a member of the partnership as a limited partner,  
12 (2) authorize the inclusion of other limited partners in ad-  
13 dition to the stockholders of the corporation, (3) provide  
14 that the assignee of the partnership interest of a limited  
15 partner of the partnership who is also a stockholder of the  
16 corporation may not become a substituted limited partner  
17 unless he also acquired the assignor's stock of the corpora-  
18 tion, (4) include provisions requiring that the corporation  
19 as a general partner approve the substitution or addition  
20 of a member of the partnership.

21 (g) A corporation which is a limited partner in the  
22 partnership shall not become liable as a general partner by  
23 reason of the fact that (1) such corporation is a holder of  
24 shares of voting stock of the corporation constituting not  
25 more than 5 per centum of the total number of outstanding

1 shares of such stock and exercises any of the rights (including  
2 voting rights) of a holder of such shares, and/or (2) a per-  
3 son who is an officer or director of such corporation (or of  
4 another corporation which controls, or is subject to the con-  
5 trol of, or is under common control with, such corporation)  
6 is a director of the corporation and performs the duties of  
7 that office. The interest of a limited partner in the partnership  
8 shall not be treated as a stock interest in the corporation,  
9 notwithstanding that such interest of a limited partner may  
10 be proportionate to his stock interest in the corporation.

11 (h) The certificate of the partnership and any amend-  
12 ment thereof required by the District of Columbia Uniform  
13 Limited Partnership Act shall be executed and acknowledged  
14 by the corporation as member and by each other member  
15 of the partnership or his attorney-in-fact duly authorized by  
16 power of attorney in writing. The corporation may execute  
17 and acknowledge the certificate and any amendment thereof  
18 as attorney-in-fact for any member, member to be substi-  
19 tuted or added, or assigning member, by whom the certificate  
20 or amendment is required to be executed and acknowledged  
21 and who has appointed the corporation as such attorney.

22 REPORT TO CONGRESS AND RECORDS

23 SEC. 908. (a) The corporation shall submit an annual  
24 report to the President for transmittal to the Congress within



1 six months after the end of its fiscal year. The report shall  
2 include a comprehensive and detailed report of the opera-  
3 tions, activities, and financial condition of the corporation  
4 and the partnership under this title.

5 (b) The accounts of the corporation and of the part-  
6 nership shall be audited annually in accordance with generally  
7 accepted auditing standards by independent certified public  
8 accountants or independent licensed public accountants certi-  
9 fied or licensed by a regulatory authority of a State or other  
10 political subdivision of the United States.

11 ANTITRUST LAWS

12 SEC. 909. Nothing contained herein shall affect the ap-  
13 plicability of the Federal antitrust laws to the activities of the  
14 corporation and the partnership created under this Act and  
15 of the persons participating therein or in partnerships, limited  
16 partnerships, or joint ventures with either of them.

17 RIGHT TO REPEAL, ALTER, OR AMEND

18 SEC. 910. The right to repeal, alter, or amend this title  
19 at any time is expressly reserved.

20 AMENDMENT TO BANKING LAWS

21 SEC. 911. Paragraph "Seventh" of section 5136 of the  
22 Revised Statutes, as amended (12 U.S.C. 24), is amended  
23 by adding at the end thereof the following: "Notwithstand-  
24 ing any other provision in this paragraph, the association  
25 may purchase for its own account shares of stock issued by

1 a corporation authorized to be created pursuant to title IX  
2 of the Housing and Urban Development Act of 1968, and  
3 may make investments in a partnership, limited partnership,  
4 or joint venture formed pursuant to section 907 (a) or  
5 907 (c) of that title.”

## 6 TITLE X—RURAL HOUSING

### 7 HOUSING FOR LOW AND MODERATE INCOME PERSONS AND 8 FAMILIES

9 SEC. 1001. Title V of the Housing Act of 1949 is  
10 amended by adding at the end thereof the following new  
11 section:

#### 12 “LOANS TO PROVIDE OCCUPANT-OWNED, RENTAL, AND CO- 13 OPERATIVE HOUSING FOR LOW AND MODERATE INCOME 14 PERSONS AND FAMILIES

15 “SEC. 521. (a) Notwithstanding the provisions of sec-  
16 tions 502, 517 (a), and 515, loans to persons of low or  
17 moderate income under section 502 or 517 (a) (1), and  
18 loans under section 515 to provide rental or cooperative  
19 housing and related facilities for persons and families of  
20 low or moderate income or elderly persons and elderly  
21 families, shall bear interest at a rate prescribed by the  
22 Secretary at not less than a rate determined by the Secre-  
23 tary of the Treasury taking into consideration the current  
24 average market yield on outstanding marketable obligations  
25 of the United States with remaining periods to maturity



1 comparable to the average maturities of such loans, adjusted  
2 to the nearest one-eighth of 1 per centum, less not to exceed  
3 the difference between the adjusted rate determined by the  
4 Secretary of the Treasury and 1 per centum per annum:  
5 *Provided*, That such a loan may be made only when the  
6 Secretary determines that the needs of the applicant for  
7 necessary housing cannot be met with financial assistance  
8 from other sources including assistance under section 235  
9 or 236 of the National Housing Act.

10 “(b) Housing and related facilities provided with loans  
11 described in subsection (a) shall be located in rural areas;  
12 and applicants eligible for such loans under section 502 or  
13 517 (a) (1), or for occupancy of housing provided with  
14 such loans under section 515, shall include otherwise quali-  
15 fied nonrural residents who will become rural residents.

16 “(c) There shall be reimbursed to the Rural Housing  
17 Insurance Fund by annual appropriations the amounts by  
18 which nonprincipal payments made from the fund during  
19 each fiscal year to the holders of insured loans described in  
20 subsection (a) exceed interest due from the borrowers dur-  
21 ing each year; and the Secretary from time to time may  
22 issue notes to the Secretary of the Treasury under section  
23 517 (h) to obtain amounts equal to such unreimbursed excess  
24 payments, pending the annual reimbursement by appro-  
25 priation.”

## 1                   HOUSING FOR RURAL TRAINEES

2           SEC. 1002. Title V of the Housing Act of 1949 is  
3 amended by adding after section 521 (as added by section  
4 1001 of this Act) the following new section:

## 5                   “HOUSING FOR RURAL TRAINEES

6           “SEC. 522. (a) Upon the application of any State or  
7 political subdivision thereof, or any public or private non-  
8 profit organization, the Secretary is authorized, after con-  
9 sultation with the Secretary of Labor, the Secretary of  
10 Health, Education, and Welfare, the Secretary of Housing  
11 and Urban Development, and the Director of the Office of  
12 Economic Opportunity, and after the Secretary determines  
13 that the housing and related facilities cannot reasonably be  
14 provided in any other way, to provide financial and technical  
15 assistance for the establishment, in rural areas, of housing  
16 and related facilities for trainees and their families who are  
17 residents of a rural area and have a rural background, while  
18 such trainees are enrolled and participating in training  
19 courses designed to improve their employment capability.  
20 The selection of training sites and location of housing shall  
21 be made only after consideration of a labor area survey  
22 and full coordination among all Government agencies having  
23 primary responsibility for administering related programs.  
24           “(b) Housing and related facilities assisted under this  
25 section shall be safe and sanitary, constructed in the most eco-



1 nomical manner, and of modest design, giving due consid-  
2 eration to the purposes to be served and the needs of the  
3 occupants, and may, in the discretion of the Secretary, in-  
4 clude mobile family quarters. Design and location shall be  
5 such as to facilitate, as feasible, the use of such housing and  
6 related facilities for other purposes when no longer needed for  
7 the primary purpose.

8 “(c) The applicant shall contribute the necessary land,  
9 or funds to acquire such land, from its own resources, includ-  
10 ing land acquired by donation or from funds repayable under  
11 subsection (e) or borrowed from other sources.

12 “(d) No financial assistance shall be made available  
13 under this section unless, to the extent and for the periods re-  
14 quired by the Secretary, the applicant agrees that—

15 “(1) such housing will be maintained at all times  
16 in a safe and sanitary condition in accordance with stand-  
17 ards prescribed by State or local law, or, in the absence  
18 of such standards, with requirements prescribed by the  
19 Secretary;

20 “(2) priority shall be given at all times in grant-  
21 ing occupancy of such housing and facilities to the  
22 trainees and their families described in subsection (a);  
23 and

24 “(3) rentals charged them shall not exceed amounts  
25 approved by the Secretary after considering the portion

1 of the actual total family income which the family can  
2 afford to pay for rent while meeting its other immedi-  
3 ate needs during occupancy.

4 “(e) The Secretary may make advances pursuant to  
5 any contract for financial assistance under this section at such  
6 times and in such manner as may be specified in the contract.  
7 Such advances for the purchase of land shall be repayable  
8 with interest and within a period not to exceed thirty-three  
9 years and may be made upon such security, if any, as the  
10 Secretary requires. Advances for other purposes may be  
11 made repayable with or without interest or nonrepayable, as  
12 determined by the Secretary on the basis of the anticipated  
13 income and cost of operation of the housing and related facili-  
14 ties, and the ability of each applicant to finance such facilities.  
15 Any advances shall be limited to cover the capital costs of  
16 constructing such facilities, plus interest on borrowings to  
17 cover such costs.

18 “(f) Should housing and related facilities assisted pur-  
19 suant to a contract under this section be sold to an ineligible  
20 transferee or diverted to a use other than its primary purpose  
21 within a period specified in the contract, all advances made  
22 under such contract shall be repaid to the Secretary, up to the  
23 amount of the sales price or the fair value of the property as  
24 determined by the Secretary, whichever is higher, with inter-



1 est from the date of the sale or diversion. If no suitable alter-  
2 nate use of the property is available, as determined by the  
3 Secretary, after the purpose of this section can no longer be  
4 served, the property shall be returned to its original condition  
5 by the recipient of the assistance.

6 “ (g) Interest charged on advances made under this sec-  
7 tion shall be at a rate, prescribed by the Secretary, which  
8 shall be not less than a rate determined by the Secretary of  
9 the Treasury taking into consideration the current average  
10 market yield on outstanding marketable obligations of the  
11 United States with remaining periods to maturity comparable  
12 to the average maturities of such loans, adjusted to the near-  
13 est one-eighth of 1 per centum, less not to exceed the differ-  
14 ence between the adjusted rate determined by the Secretary  
15 of the Treasury and 1 per centum per annum, as determined  
16 by the Secretary.

17 “ (h) The Secretary shall prescribe regulations to insure  
18 that Federal funds expended under this section are not  
19 wasted or dissipated.

20 “ (i) As used in this section: (1) the term ‘related  
21 facilities’ shall include any necessary community rooms or  
22 buildings, infirmaries, utilities, access roads, water and sewer  
23 services, and the minimum fixed or movable equipment de-  
24 termined by the Secretary to be necessary to make the  
25 housing reasonably habitable by trainees and their families;

1 and (2) the term 'trainee' means any person receiving train-  
 2 ing under any federally assisted training program.

3 " (j) There are authorized to be appropriated such sums  
 4 as may be necessary to carry out this section."

#### 5 APPROPRIATIONS

6 SEC. 1003. Section 513 of the Housing Act of 1949 is  
 7 amended by—

8 (1) striking out "and (e)" and inserting in lieu  
 9 thereof "(e)"; and

10 (2) inserting before the period at the end thereof  
 11 the following: "; and (f) such sums as may be required  
 12 by the Secretary to administer the provisions of sections  
 13 235 and 236 of the National Housing Act".

#### 14 PURCHASE OF LAND FOR BUILDING SITES

15 SEC. 1004. Section 514 (f) (2) of the Housing Act of  
 16 1949 is amended by changing the semicolon to a comma and  
 17 adding the following at the end:

18 " (C) land necessary for an adequate site;".

#### 19 TITLE XI—MISCELLANEOUS

##### 20 MODEL CITIES

21 SEC. 1101. (a) Section 111 (b) of the Demonstration  
 22 Cities and Metropolitan Development Act of 1966 is  
 23 amended by—

24 (1) striking out the word "and" the third time it  
 25 appears; and



1           (2) inserting before the period at the end thereof  
2        “, and \$1,000,000,000 for each of the fiscal years end-  
3        ing on June 30, 1970 and June 30, 1971”.

4        (b) Section 111 (c) of such Act is amended to read as  
5 follows:

6        “(c) Any amounts appropriated under this section shall  
7 remain available until expended, and any amounts author-  
8 ized for any fiscal year under this section but not appropri-  
9 ated may be appropriated for any succeeding fiscal year  
10 commencing prior to July 1, 1971.”

11        URBAN RENEWAL DEMONSTRATION GRANT PROGRAM

12        SEC. 1102. (a) Section 314 (a) of the Housing Act of  
13 1954 is amended by—

14           (1) striking out “public bodies, including cities and  
15 other political subdivisions, to assist them” and inserting  
16 in lieu thereof “to assist”; and

17           (2) rewriting the second sentence to read as fol-  
18 lows: “No such grant shall exceed the cost, as deter-  
19 mined or estimated by the Secretary, of such activities  
20 or undertakings, including the cost of writing and pub-  
21 lishing the reports on such activities and undertakings.”

22        (b) Section 314 (c) of such Act is amended by striking  
23 out “\$10,000,000” and inserting in lieu thereof “\$20,-  
24 000,000.”

1 AUTHORIZATION FOR URBAN INFORMATION AND TECHNI-  
2 CAL ASSISTANCE SERVICES PROGRAM

3 SEC. 1103. Section 906 of the Demonstration Cities and  
4 Metropolitan Development Act of 1966 is amended to read  
5 as follows: "There are authorized to be appropriated such  
6 funds as are necessary to carry out the purposes of this title.  
7 All funds so appropriated shall remain available until  
8 expended."

9 ADVANCES IN TECHNOLOGY IN HOUSING AND URBAN  
10 DEVELOPMENT

11 SEC. 1104. (a) Section 1010 (d) of the Demonstration  
12 Cities and Metropolitan Development Act of 1966 is  
13 amended by inserting before the period at the end of the  
14 first sentence the following: ", which amounts shall be in-  
15 creased in subsequent fiscal years by such sums as may be  
16 necessary".

17 (b) Section 1010 (c) of such Act is amended by strik-  
18 ing out "two years" in the second sentence and inserting in  
19 lieu thereof "four years".

20 INTEREST RATE ON COLLEGE HOUSING LOANS

21 SEC. 1105. (a) Effective with respect to loans for proj-  
22 ects for which funds are reserved after June 30, 1968, sec-  
23 tion 401 (c) of the Housing Act of 1950 is amended by  
24 striking out all that follows the phrase "which shall be not



1 more than the” and inserting in lieu thereof “rate deter-  
2 mined by the Secretary of the Treasury taking into con-  
3 sideration the current average market yield on outstanding  
4 marketable obligations of the United States with remaining  
5 periods to maturity comparable to the average maturities  
6 of such loans, adjusted to the nearest one-eighth of 1 per  
7 centum, less not to exceed a rate of 1 per centum per annum  
8 as determined by the Secretary of Housing and Urban  
9 Development.”

10 (b) Effective with respect to notes or other obligations  
11 financing loan contracts for which funds are reserved after  
12 June 30, 1968, the second sentence of section 401 (e) of  
13 such Act is amended by striking out all that follows the  
14 phrase “which shall be not more than the” and inserting in  
15 lieu thereof “rate determined by the Secretary of the Treas-  
16 ury taking into consideration the current average market  
17 yield on outstanding marketable obligations of the United  
18 States with remaining periods to maturity comparable to the  
19 average maturities of such loans, adjusted to the nearest one-  
20 eighth of 1 per centum.”

21 **FEDERAL-STATE TRAINING PROGRAMS**

22 **SEC. 1106.** (a) Title VIII of the Housing Act of 1964  
23 is amended—

24 (1) by inserting after “urban centers,” in section  
25 801 (b) the following: “and with business firms and

1 associations, labor unions, and other interested associa-  
 2 tions and organizations,";

3 (2) by striking out "technical and professional  
 4 people" in sections 801 (b) (1) and 802 (a) (1) and  
 5 inserting in lieu thereof "technical, professional, and  
 6 other persons with the capacity to master and employ  
 7 such skills"; and

8 (3) by inserting after "which has responsibility  
 9 for community development" in sections 801 (b) (1)  
 10 and 802 (a) (1) the following: " , or by a private non-  
 11 profit organization which is conducting or has responsi-  
 12 bility for housing and community development pro-  
 13 grams".

14 (b) Section 805 of such Act is amended by inserting  
 15 "Guam, American Samoa, the Trust Territory of the Pacific  
 16 Islands," after "the Commonwealth of Puerto Rico,".

17 ADDITIONAL ASSISTANT SECRETARY OF HOUSING AND

18 URBAN DEVELOPMENT

19 SEC. 1107. (a) The first sentence of section 4 (a) of  
 20 the Department of Housing and Urban Development Act is  
 21 amended by striking out "four" and inserting in lieu thereof  
 22 "five".

23 (b) Paragraph (87) of section 5315 of title 5, United  
 24 States Code, is amended by striking out "(4)" and inserting  
 25 in lieu thereof "(5)".



## INTERNATIONAL HOUSING

SEC. 1108. Section 604 of the Housing Act of 1957 is amended to read as follows:

“SEC. 604. (a) The Secretary of Housing and Urban Development may exchange data relating to housing and urban planning and development with other nations and assemble such data from other nations, through participation in international conferences and other means, where such exchange or assembly is deemed by him to be beneficial in carrying out his responsibilities under the Department of Housing and Urban Development Act or other legislation. In carrying out his responsibilities under this subsection the Secretary may—

“(1) pay the expenses of participation in activities conducted under authority of this section including, but not limited to, the compensation, travel expense, and per diem in lieu of subsistence, of persons serving in an advisory capacity while away from their homes or regular places of business in connection with attendance at international meetings and conferences, or other travel for the purpose of exchange or assembly of data relating to housing and urban planning and development; but such travel expenses shall not exceed those authorized for regular officers and employees traveling in connection with said activities; and

1           “(2) accept from international organizations, for-  
2        eign countries, and private nonprofit foundations, funds,  
3        services, facilities, materials, and other donations to be  
4        utilized jointly in carrying out activities under this  
5        section.

6        “(b) International programs and activities carried out  
7        by the Secretary under the authority provided in subsection  
8        (a) shall be subject to the approval of the Secretary of  
9        State for the purpose of assuring that such authority shall  
10       be exercised in a manner consistent with the foreign policy  
11       of the United States.”

12       LOW-RENT PUBLIC HOUSING—CORPORATE STATUS

13       SEC. 1109. (a) The first sentence of section 3 of the  
14       United States Housing Act of 1937 is amended by striking  
15       “a body corporate of perpetual duration to be known as”.

16       (b) Section 17 of such Act is repealed. The capital stock  
17       referred to in such section shall be retired, and the sum of  
18       \$1,000,000 represented by such stock shall be returned to  
19       the Treasury of the United States.

20       (c) Such Act is amended by adding a new section 17  
21       as follows:

22       “SEC. 17. In the performance of, and with respect to,  
23       functions, powers, and duties under this Act, the Secretary  
24       shall have (in addition to any authority otherwise vested in  
25       him) the functions, powers, and duties set forth in subsec-



1 tions (a), (b), and (e) of section 402 of the Housing  
2 Act of 1950.”

3 (d) Section 101 of the Government Corporation Con-  
4 trol Act is amended by striking out “Federal Public Hous-  
5 ing Authority (or United States Housing Authority) and  
6 including public housing projects financed through appropri-  
7 ated funds and operations thereof;”.

8 ELIGIBILITY FOR RENT SUPPLEMENT PAYMENTS

9 SEC. 1110. Notwithstanding any other provision of law  
10 respecting the date after which a mortgage must have been  
11 approved for mortgage insurance under section 221 (d) (3),  
12 of the National Housing Act, the Secretary of Housing and  
13 Urban Development is authorized to make, and contract to  
14 make, rent supplement payments under the provisions of  
15 section 101 of the Housing and Urban Development Act of  
16 1965 to the owners of housing projects known as the 114th  
17 Street rehabilitation project and the 114th Street rehabili-  
18 tation project numbered 2, in New York City, New York,  
19 (project numbers 012-33501 and 012-33512).

20 CONSOLIDATION OF LOW-RENT PUBLIC HOUSING PROJECTS

21 IN THE DISTRICT OF COLUMBIA

22 SEC. 1111. All projects now operated and maintained  
23 by the National Capital Housing Authority pursuant to title  
24 I of the District of Columbia Alley Dwelling Act are deemed  
25 to be low-rent housing projects and may be consolidated, pur-

1 suant to section 15 (6) of the United States Housing Act of  
2 1937, into any contract of annual contributions covering proj-  
3 ects maintained and operated pursuant to title II of the Alley  
4 Dwelling Act.

#### 5 EARTHQUAKE STUDY

6 SEC. 1112. Section 5 of the Southeast Hurricane Dis-  
7 aster Relief Act of 1965 is amended by striking out "three  
8 years after the appropriation of funds for this study" and  
9 inserting in lieu thereof "June 30, 1969".

#### 10 TECHNICAL AMENDMENTS

11 SEC. 1113. (a) Section 110 (c) of the Housing Act of  
12 1949 is amended by striking "paragraphs (7), (8), and  
13 (9)" in the second unnumbered paragraph following the  
14 numbered paragraphs and inserting in lieu thereof "para-  
15 graphs (7), (8), (9), and (10)".

16 (b) Section 110 (d) of the Housing Act of 1949 is  
17 amended by deleting "clauses (2), (3)" and inserting in  
18 lieu thereof "clauses (2), (3), (7)".

19 (c) Section 110 (e) of the Housing Act of 1949 is  
20 amended by striking out "and (9)" in clause (i) and insert-  
21 ing in lieu thereof "(9), and (10)".

22 (d) Section 1101 (c) (3) of the National Housing Act  
23 is amended by inserting "from the beginning of amortiza-  
24 tion of the mortgage" immediately after "twenty-five years".

25 (e) Section 213 (o) of the National Housing Act is



1 amended by adding at the end thereof four new sentences  
2 as follows: “Moneys in the Cooperative Management Hous-  
3 ing Insurance Fund not needed for current operations of  
4 the fund shall be deposited with the Treasurer of the United  
5 States to the credit of the Cooperative Management Hous-  
6 ing Insurance Fund or invested in bonds or other obliga-  
7 tions of, or in bonds or other obligations guaranteed as to  
8 principal and interest by, the United States. The Secretary  
9 may, with the approval of the Secretary of the Treasury,  
10 purchase in the open market debentures which are the  
11 obligations of the Cooperative Management Housing Insur-  
12 ance Fund. Such purchases shall be made at a price which  
13 will provide an investment yield of not less than the yield  
14 obtainable from other investments authorized by this sub-  
15 section. Debentures so purchased shall be canceled and not  
16 reissued.”

17 (f) Section 810 (e) of the National Housing Act is  
18 amended by—

19 (1) striking “private corporation, association, co-  
20 operative society, or trust” in the first sentence and  
21 inserting in lieu thereof “mortgagor approved by the  
22 Secretary”, and

23 (2) striking “corporation, association, cooperative  
24 society, or trust” in the third and fourth sentences and  
25 inserting in lieu thereof “mortgagor”.





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# A BILL

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To assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development.

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By Mr. SPARKMAN

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FEBRUARY 26, 1968

Read twice and referred to the Committee on  
Banking and Currency







- COSPONSORS. Sens. Mondale, Percy, and Clark were added as cosponsors of S. 2871, to amend the National School Lunch Act. p. S2068
- HOUSING. Sen. Williams submitted an amendment which he intends to propose to S. 029, to assist in the provision of housing for low- and moderate-income families. p. S2068
- FARM PROGRAM. Sen. Monroney praised the President's farm message and urged Congress "to give immediate attention to these proposals." pp. S2077-8
- AWARDS. Sen. Mansfield stated that Bertha C. Olsen, Chief of the Technical Service Branch of the School Lunch Division, C & MS, and Coit A. Suneson, a research agronomist with the Cereals Research Division, ARS, received honorary degrees on Founder's Day from Montana State University. pp. S2079-80  
Sen. Carlson cited four Kans. farmers who were awarded certificates for 35 years of voluntary reporting on their local crop and livestock conditions (p. S209).
- TRAINING. Sen. Harris inserted an address supporting "the need to redevelop rural America through the creation of better job opportunities, better educational facilities, and better housing and health facilities." pp. S2080-1
- FARMERS HOME ADMINISTRATION. Sen. Fulbright inserted information on the status of loan and grant applications for water and sewer projects in Ark. pp. S2081-4
- MARKET NEWS. Sen. Monroney inserted a resolution passed by the Okla. Legislature asking that Secretary Freeman reconsider and rescind the order closing the Tulsa office of the Market News Service. p. S2094
- POTATOES. Sen. Muskie inserted an article pointing out that Maine's potato farmer has "quickly seized the opportunity of converting part of his acreage to sugar beets, and how this decision is paying off." pp. S2094-5
- LATINAMERICA. Sen. Brewster inserted a speech revealing "the human side of the emergence of an economically sound, socially stable, and politically mature state" in Latin America. pp. S2096-8

EXTENSION OF REMARKS

- VETERANS' BENEFITS. Rep. Howard commended President Johnson's signing of an Executive Order to create new job opportunities and education for Vietnam veterans. p. E1433
- EMPLOYMENT. Rep. Bingham inserted an article summarizing Rep. Ryan's statement in which he criticized the Administration's "failures in preventing racial discrimination in employment..." p. E1437
- FIRE SAFETY. Rep. Miller, Calif., inserted the President's remarks upon signing the Fire Research and Safety Act. p. E1456



23. FOREIGN AID. Rep. Rosenthal inserted AID Administrator Gaud's testimony before the House Foreign Affairs on foreign aid authorization legislation. pp. E1468-9
24. CENSUS. Rep. Ashbrook stated that "there is still a very real threat that for the 1970 census the American people will be asked questions which have nothing to do with the population of the United States." p. E1471

BILLS INTRODUCED

25. LOANS. H. R. 15562 by Rep. Matsunaga, (see Digest No. 28, item 41), would extend from June 30, 1968 to June 30, 1970 FHA authority for leasehold loans in Hawaii.
26. HOLIDAYS. H. R. 15709 by Rep. Barrett, to provide for uniform annual observances of certain legal public holidays on Mondays; to Judiciary Committee.
27. LUMBER. H. R. 15715 by Rep. Teague, Tex., to provide for the grading by the Department of Commerce of all soft-wood lumber and all plywood sold in interstate or foreign commerce; to Interstate and Foreign Commerce Committee.
28. WILDLIFE. H. R. 15717 by Rep. Wyatt, to declare and determine the policy of the Congress with respect to the primary authority of the several States to control, regulate, and manage fish and wildlife within their territorial boundaries; to Merchant Marine and Fisheries Committee.
- H. Con. Res. 667 by Rep. Conyers,
29. PROGRAM ANALYSIS./ creating the Joint Select Committee on Government Program Analysis and Evaluation; to Rules Committee.

PRINTED HEARINGS RECEIVED BY THIS OFFICE

30. LOANS. S. 2714, FHA emergency loans to farmers who have suffered losses as result of national disaster. S. Agriculture and Forestry Committee.
31. PACKERS AND STOCKYARDS. S. 1149 and H. R. 10673, management and regulation of stockyards. S. Agriculture and Forestry Committee.
32. ATOMIC ENERGY. Licensing and regulation of nuclear reactors. Part 2. Jt. Committee on Atomic Energy.
33. TRANSPORTATION. S. 927, discriminatory taxation of common carriers. S. Commerce Committee.
34. BALANCE OF PAYMENTS. Administration's balance-of-payments proposals. Part 1. H. Ways and Means Committee.
35. RESEARCH. S. 2598 and H. R. 5404, to amend the National Science Foundation Act of 1950 to make changes and improvements in the organization, etc. S. Labor and Public Welfare Committee.
36. EDUCATION. H. R. 8525, Vocational Education Improvement Act Amendments of 1967. Part 2. H. Education and Labor Committee.

90TH CONGRESS  
2D SESSION

# S. 3029

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IN THE SENATE OF THE UNITED STATES

MARCH 4, 1968

Referred to the Committee on Banking and Currency and ordered to be printed

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## AMENDMENT

Intended to be proposed by Mr. WILLIAMS of New Jersey to S. 3029, a bill to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development. viz: On page 154, add the following new title:

1 TITLE XII

2 SEC. 1201. This title may be cited as "The Interstate  
3 Land Sales Full Disclosure Act".

4 DEFINITIONS

5 SEC. 1202. For the purposes of this Act, the term—

6 (1) "Secretary" means the Secretary of the De-  
7 partment of Housing and Urban Development;

8 (2) "person" means an individual, any unincor-



1       porated organization, partnership, association, corpora-  
2       tion, trust, or estate;

3           (3) “subdivision” and “subdivided lands” means  
4       any land which is divided or proposed to be divided  
5       into twenty-five or more lots, parcels, units or interests,  
6       whether contiguous or not, for the purpose of offer,  
7       sale, or lease as part of a common promotional plan;

8           (4) “developer” means any person (i) who, hav-  
9       ing an interest in land, causes it, directly or indirectly,  
10      to be divided into a subdivision, or who acquires an  
11      interest in a subdivision, (ii) who, directly or indirectly,  
12      sells or leases, or offers to sell or lease, or advertises for  
13      sale or lease any interest, lot, or parcel in such sub-  
14      division, and (iii) who is directly or indirectly con-  
15      trolled by, or under direct or indirect common control,  
16      with any of the foregoing;

17          (5) “agent” means any person who represents, or  
18      acts for or on behalf of, a developer in selling or leas-  
19      ing, or offering to sell or lease, any interest, lot, or  
20      parcel in a subdivision; but shall not include an attorney  
21      at law whose representation of another person consists  
22      solely of rendering legal services;

23          (6) “blanket encumbrance” means a trust deed,  
24      mortgage, or any other lien or encumbrance, including  
25      an option or contract to sell or trust agreement, affect-

1     ing a subdivision or affecting more than one lot or  
2     parcel offered within a subdivision; except that such  
3     term shall not include any lien or other encumbrance  
4     arising as the result of the imposition of any tax or  
5     assessment by any public authority;

6           (7) "interstate commerce" means trade or com-  
7     merce among the several States, or between the Dis-  
8     trict of Columbia, Commonwealth of Puerto Rico, the  
9     Canal Zone, the Virgin Islands, or any possession of  
10    the United States or between any foreign country and  
11    any State of the United States, the District of Columbia,  
12    the Commonwealth of Puerto Rico, the Canal Zone,  
13    the Virgin Islands, or any possession of the United  
14    States".

15           (8) "investors" means actual and prospective pur-  
16    chasers or lessees of any interest, lot, or parcel in any  
17    subdivision;

18           (9) "prospectus" means a written brochure or cir-  
19    cular meeting the requirements of section 8 of this Act;

20           (10) "offer" includes every inducement, sollicita-  
21    tion, or attempt to encourage a person to acquire an  
22    interest in a subdivision;

23           (11) "sale" or "sell" means any contract of sale  
24    or disposition for value of an interest in a subdivision.



## 1 EXEMPTIONS

2 SEC. 1203. (a) The provisions of this Act shall not  
3 apply to—

4 (1) the sale or lease of real estate not pursuant to  
5 a common promotional plan to offer or sell 25 or more  
6 parcels of subdivided land;

7 (2) the sale or lease of any improved land on which  
8 there is a residential, commercial, or industrial build-  
9 ing, or to the sale or lease of land under a contract ob-  
10 ligating the seller to erect a dwelling thereon within a  
11 period of two years;

12 (3) the sale of real estate under or pursuant to  
13 court order;

14 (4) the sale of evidences of indebtedness secured  
15 by a mortgage or deed of trust on real estate;

16 (5) the sale of securities issued by a real estate in-  
17 vestment trust and subject to any State or Federal  
18 statute;

19 (6) offers to sell or dispositions by any government  
20 or government agency;

21 (7) offers to sell and dispositions of cemetery lots  
22 or interests;

23 (8) any interest, lot, or parcel which is a part of  
24 a subdivision within, and offered and sold only to per-  
25 sons resident within, a single State or territory, where

1 the developer of such subdivision is a person resident  
2 and doing business within, or, if a corporation, incor-  
3 porated by and doing business within, such State or  
4 territory.

5 (b) The Secretary may from time to time by its rules  
6 and regulations, and subject to such terms and conditions  
7 as may be prescribed therein, exempt from the provisions  
8 of this Act any interests in a subdivision, if he finds that the  
9 enforcement of this Act with respect to such interests is  
10 not necessary in the public interest and for the protection  
11 of purchasers by reason of the small amount involved or the  
12 limited character of the public offering; but no interests  
13 shall be exempted under this subsection where the aggregate  
14 amount at which the lots, parcels, or interests within the  
15 subdivision are to be sold or leased exceeds \$300,000.

16 PROHIBITIONS RELATING TO THE SALE OR LEASE OF  
17 INTEREST IN SUBDIVISIONS

18 SEC. 1204. (a) It shall be unlawful for any developer or  
19 agent, directly or indirectly, to make use of any means or  
20 instruments of transportation or communication in interstate  
21 commerce, or of the mails, to sell or lease, or offer to sell or  
22 lease any interest, lot, or parcel in any subdivision unless a  
23 registration statement with respect to such interests, lots,  
24 or parcels is in effect in accordance with section 7 of this Act.

25 (b) While a registration is in effect with respect thereto



1 it shall be unlawful for any developer or agent, directly or  
2 indirectly, to make use of any means or instruments of trans-  
3 portation or communication in interstate commerce, or of the  
4 mails, to sell or lease, or offer to sell or lease, any interest,  
5 lot, or parcel in a subdivision unless a prospectus is furnished  
6 by such developer or agent to the investor sufficiently before  
7 any contract or agreement for the sale or lease of such  
8 interest, lot, or parcel becomes binding on the purchaser to  
9 afford him a reasonable opportunity to examine it; but in no  
10 event shall the time be less than forty-eight hours.

11 REGISTRATION OF INTERESTS IN SUBDIVISIONS AND

12 SIGNING OF REGISTRATION STATEMENT

13 SEC. 1205. (a) Any interest, lot, or parcel in a subdi-  
14 vision may be registered with the Secretary under the terms  
15 and conditions hereinafter provided, by filing a registration  
16 statement in triplicate, at least one of which shall be signed by  
17 each developer, its principal executive officer or officers, and  
18 the majority of its board of directors or persons performing  
19 similar functions (or, if there is no board of directors or  
20 persons performing similar functions, by the majority of the  
21 persons or board having the power of management of the  
22 developer). Signatures of all such persons when written on  
23 the said registration statements shall be presumed to have  
24 been so written by authority of the person whose signature is

1 so affixed and the burden of proof, in the event such author-  
2 ity shall be denied shall be upon the party denying the same.  
3 The affixing of any signature without the authority of the  
4 purported signer shall constitute a violation of this Act. A  
5 registration statement shall be deemed effective only as to the  
6 interests, lots, or parcels specified therein as proposed to be  
7 offered.

8 (b) At the time of filing a registration statement the  
9 developer shall pay to the Secretary a fee of one-fiftieth of  
10 1 per centum of the maximum aggregate price at which such  
11 lots, parcels, or interests are proposed to be offered, but in no  
12 case shall the fee be more than \$1,000.

13 (c) The filing with the Secretary of a registration  
14 statement, or of an amendment to a registration statement,  
15 shall be deemed to have taken place upon the receipt there-  
16 of, but the filing of a registration statement shall not be  
17 deemed to have taken place unless it is accompanied by pay-  
18 ment of the fee required by subsection (b).

19 (d) The information contained in or filed with any reg-  
20 istration statement shall be made available to the public under  
21 such regulations as the Secretary may prescribe and copies  
22 thereof, photostatic or otherwise, shall be furnished to every  
23 applicant at such reasonable charge as the Secretary may  
24 prescribe.



## 1 INFORMATION REQUIRED IN REGISTRATION STATEMENT

2 SEC. 1206. (a) The registration statement shall contain  
3 the information and be accompanied by the documents speci-  
4 fied hereinafter in this section—

5 (1) the name and address of each person having an  
6 interest in the subdivision and, the extent of such inter-  
7 ests and the purchase price thereof;

8 (2) a legal description of, and a statement of the  
9 total area included in, the subdivision, together with a  
10 map showing the division proposed and the dimensions  
11 of the interests, lots, or parcels to be registered, the  
12 topography of the subdivision, and its relation to existing  
13 streets and roads;

14 (3) a statement of the condition of the title to the  
15 land comprising the subdivision, including all encum-  
16 brances thereon;

17 (4) a statement of the terms and conditions, in-  
18 cluding the selling price or rent at which it is proposed  
19 to dispose of the interests in the subdivision;

20 (5) a statement of the present condition of access  
21 to, and sewage disposal facilities and public utilities (in-  
22 cluding water, electricity, gas, and telephone facilities)  
23 in, the subdivision and the proximity of the subdivision  
24 to cities, towns, or villages, and of improvements to be

1 installed by the developer and his schedule for com-  
2 pletion;

3 (6) in the case of any subdivision or portion thereof  
4 against which there exists a blanket encumbrance, a  
5 statement of the consequences for an individual investor  
6 of a failure by the person or persons bound to fulfill  
7 obligations under the instrument or instruments creating  
8 such encumbrance and the steps, if any, taken to protect  
9 the investor in such eventuality;

10 (7) (a) copy of its articles of incorporation, with  
11 all amendments thereto and of its existing bylaws or  
12 instruments corresponding thereto, whatever the name,  
13 if the developer be a corporation; (b) copy of all in-  
14 struments by which the trust is created or declared, if  
15 the developer is a trust; (c) a copy of its articles of  
16 partnership or association and all other papers pertain-  
17 ing to its organization, if the developer is a partnership,  
18 unincorporated association, joint stock company, or any  
19 other form or organization, or if the purported holder of  
20 legal title is a person other than developer, copies of the  
21 above documents for such person;

22 (8) copies of the deed or other instrument estab-  
23 lishing title to the subdivision in the developer or other



1 person and copies of any instrument creating a lien or  
2 encumbrance upon the title of developer or other per-  
3 son and copies of any instrument creating a lien or en-  
4 cumbrance upon the title of developer or other person;

5 (9) a copy of the opinion or opinions of counsel  
6 in respect to the title to the subdivision of developer  
7 or other person, or a copy of the title insurance policy  
8 guaranteeing such title;

9 (10) copies of all forms of conveyance to be used  
10 in selling interests, lots, or parcels to investors;

11 (11) copies of instruments creating easements or  
12 restrictions or other encumbrance;

13 (12) such certified or uncertified financial state-  
14 ments as the Secretary may by rule or regulation re-  
15 quire; and

16 (13) such other information and such other doc-  
17 uments as the Secretary may by rules or regulations  
18 require as being necessary or appropriate for the pro-  
19 tection of investors.

20 (b) If any engineer, or appraiser, or any person whose  
21 profession gives authority to a statement made by him, is  
22 named as having prepared or certified any part of the regis-  
23 tration statement, or is named as having prepared or certi-  
24 fied a report or valuation for use in connection with the regis-  
25 tration statement, the written consent of such person shall

1 be filed with the registration statement. If any such person  
2 is named as having prepared or certified a report or valua-  
3 tion (other than a public official document or statement)  
4 which is used in connection with the registration statement,  
5 but is not named as having prepared or certified such report  
6 or valuation for use in connection with the registration state-  
7 ment, the written consent of such person shall be filed with  
8 the registration statement unless the Secretary dispenses  
9 with such filing as impracticable or as involving undue hard-  
10 ship on the person filing the registration statement.

11 TAKING EFFECT OF REGISTRATION STATEMENTS AND  
12 AMENDMENTS THERETO

13 SEC. 1207. (a) Except as hereinafter provided, the  
14 effective date of a registration statement shall be the thirtieth  
15 day after the filing thereof or such earlier date as the Secre-  
16 tary may determine, having due regard to the public interest  
17 and the protection of investors. If any amendment to any  
18 such statement is filed prior to the effective date of such state-  
19 ment, the registration statement shall be deemed to have  
20 been filed when such amendment was filed; except that an  
21 amendment filed with the consent of the Secretary, prior  
22 to the effective date of the registration statement, or filed  
23 pursuant to an order of the Secretary, shall be treated as  
24 a part of the registration statement. When the subdivider



1 registers additional lands to be offered for disposition, he  
2 may consolidate the subsequent registration with any earlier  
3 registration offering subdivided land for disposition under  
4 the same promotional plan. At the time of consolidation,  
5 the subdivider shall include in the consolidated registration  
6 statement any material changes in the information contained  
7 in the earlier registration statement.

8       (b) If it appears to the Secretary that a registration  
9 statement is on its face incomplete or inaccurate in any ma-  
10 terial respect, the Secretary may, after notice by personal  
11 service or the sending of confirmed telegraphic notice not  
12 later than ten days after the filing of the registration state-  
13 ment, and opportunity for hearing (at a time fixed by the  
14 Secretary) within twenty days after such notice by per-  
15 sonal service or the sending of such telegraphic notice, issue  
16 an order prior to the effective date of registration refusing  
17 to permit such statement to become effective until it has been  
18 amended in accordance with such order. When such state-  
19 ment has been amended in accordance with such order the  
20 Secretary shall so declare and the registration shall become  
21 effective at the time provided in subsection (a) or upon  
22 the date of such declaration, whichever date is the later.

23       (c) If, at any time subsequent to the effective date of  
24 registration, a change shall occur affecting any material fact  
25 required to be stated in the registration statement or which

1 makes any such fact misleading, the developer shall promptly  
2 file an amendment thereto. An amendment filed after the  
3 effective date of the registration statement, if such amend-  
4 ment, upon its face, appears to the Secretary not to be  
5 incomplete or inaccurate in any material respect, shall be-  
6 come effective on such date as the Secretary may deter-  
7 mine, having due regard to the public interest and the  
8 protection of investors. Upon receipt of any such amend-  
9 ment, the Secretary may, if he determines such action to  
10 be necessary or appropriate in the public interest or for the  
11 protection of investors, suspend the registration until the  
12 amendment becomes effective.

13 (d) If it appears to the Secretary at any time that  
14 the registration statement includes any untrue statement of  
15 a material fact or omits to state any material fact required  
16 to be stated therein or necessary to make the statements  
17 therein not misleading, the Secretary may, after notice  
18 by personal service or the sending of confirmed telegraphic  
19 notice, and after opportunity for hearing (at a time fixed  
20 by the Secretary) within fifteen days after such notice  
21 by personal service or the sending of such telegraphic notice,  
22 issue a stop order suspending the effectiveness of the reg-  
23 istration statement. When such statement has been amended  
24 in accordance with such stop order the Secretary shall so



1 declare and thereupon the stop order shall cease to be  
2 effective.

3 (e) The Secretary is hereby empowered to make an  
4 examination in any case in order to determine whether a  
5 stop order should issue under subsection (d). In making  
6 such examination the Secretary or any officer or officers  
7 designated by him shall have access to and may demand the  
8 production of any books and papers of, and may administer  
9 oaths and affirmations to and examine, the developer, any  
10 agents, or any other person, in respect of any matter relevant  
11 to the examination. If the developer or any agents shall fail  
12 to cooperate, or shall obstruct or refuse to permit the making  
13 of an examination, such conduct shall be proper ground for  
14 the issuance of a stop order.

15 (f) Any notice required under this section shall be sent  
16 to or served on the developer.

17 INFORMATION REQUIRED IN PROSPECTUS

18 SEC. 1208. (a) A prospectus relating to interests, lots,  
19 or parcels in a subdivision shall contain the information con-  
20 tained in the registration statement, but need not include the  
21 documents referred to in paragraphs (6) to (11), inclu-  
22 sive, of section 6 of this Act and shall contain such further  
23 information as may be contained in amendments filed pursu-  
24 ant to and declared effective under section 7 (c) of this Act.  
25 A prospectus shall also contain such other information as

1 the Secretary may by rules or regulations require as being  
2 necessary or appropriate in the public interest or for the  
3 protection of investors.

4 (b) The prospectus shall not be used for any promo-  
5 tional purposes before registration becomes effective and  
6 then only if it is used in its entirety. No person may adver-  
7 tise or represent that the Secretary approves or recommends  
8 the subdivided lands or sale thereof. No portion of the  
9 prospectus shall be underscored, italicized, or printed in  
10 larger or bolder type than the balance of the statement  
11 unless the Secretary requires or permits it.

12 COOPERATION WITH STATE AUTHORITIES

13 SEC. 1209. (a) In enforcing this Act the Secretary  
14 shall cooperate with State authorities charged with the  
15 responsibility of regulating the sale of interests in subdivi-  
16 sions which are also subject to this Act and may accept for  
17 filing under section 5 of this Act and declare effective as a  
18 registration statement, if he finds such action to be appro-  
19 priate in the public interest or for the protection of investors,  
20 material filed and found acceptable by such authorities.

21 (b) Nothing in this title shall affect the jurisdiction  
22 of the real estate commission (or any agency or office per-  
23 forming like functions) of any State or territory of the  
24 United States, or the District of Columbia, over any sub-  
25 division or any person.



1 CIVIL LIABILITIES ON ACCOUNT OF FALSE REGISTRATION  
2 STATEMENT

3 SEC. 1210. (a) In case any part of the registration  
4 statement, when such part became effective, contained an  
5 untrue statement of a material fact or omitted to state a  
6 material fact required to be stated therein or necessary to  
7 make the statements therein not misleading, any person  
8 acquiring such interest, lot, or parcel in a subdivision (unless  
9 it is proved that at the time of such acquisition he knew  
10 of such untruth or omission) may, either at law or in  
11 equity, in any court of competent jurisdiction, sue—

12 (1) every person who signed the registration state-  
13 ment;

14 (2) every person who was a director of (or person  
15 performing similar functions) or partner in, the devel-  
16 oper at the time of the filing of the part of the regis-  
17 tration statement with respect to which his liability is  
18 asserted;

19 (3) every person who, with his consent, is named  
20 in the registration statement as being or about to become  
21 a director, person performing similar functions, or  
22 partner; and

23 (4) every engineer, or appraiser, or any person  
24 whose profession gives authority to a statement made by  
25 him, who has with his consent been named as having

1 prepared or certified any part of the registration state-  
2 ment, or as having prepared or certified any report or  
3 valuation which is used in connection with the registra-  
4 tion statement, with respect to the statement in such  
5 registration statement, report, or valuation, which pur-  
6 ports to have been prepared or certified by him.

7 (b) Notwithstanding the provisions of subsection (a)  
8 no person, other than the developer shall be liable as pro-  
9 vided therein who shall sustain the burden of proof—

10 (1) that before the effective date of the part of the  
11 registration statement with respect to which his liability  
12 is asserted (A) he had resigned from or had taken such  
13 steps as are permitted by law to resign from, or ceased  
14 or refused to act in, every office, capacity, or relationship  
15 in which he was described in the registration state-  
16 ment as acting or agreeing to act, and (B) he had  
17 advised the Secretary and the developer in writing  
18 that he had taken such action and that he would not be  
19 responsible for such part of the registration statement; or

20 (2) that if such part of the registration statement  
21 became effective without his knowledge, upon becoming  
22 aware of such fact he forthwith acted and advised the  
23 Secretary, in accordance with paragraph (1), and in  
24 addition, gave reasonable public notice that such part



1 of the registration statement had become effective with-  
2 out his knowledge; or

3 (3) that (A) as regards any part of the registra-  
4 tion statement not purporting to be made on the author-  
5 ity of an expert, and not purporting to be a copy of or  
6 extract from a report or valuation of an expert, and not  
7 purporting to be made on the authority of a public  
8 official document or statement, he had, after reason-  
9 able investigation, reasonable ground to believe and did  
10 believe, at the time such part of the registration state-  
11 ment became effective, that the statements therein were  
12 true and that there was no omission to state a material  
13 fact required to be stated therein or necessary to make  
14 the statements therein not misleading; and (B) as re-  
15 gards any part of the registration statement purporting  
16 to be made upon his authority as an expert or purport-  
17 ing to be a copy of or extract from a report or valua-  
18 tion of himself as an expert, (i) he had, after reason-  
19 able investigation, reasonable ground to believe and did  
20 believe, at the time such part of the registration state-  
21 ment became effective, that the statements therein were  
22 true and that there was no omission to state a material  
23 fact required to be stated therein or necessary to make  
24 the statements therein not misleading, or (ii) such part  
25 of the registration statement did not fairly represent his

statement as an expert or was not a fair copy of or extract from his report or valuation as an expert; and (C) as regards any part of the registration statement purported to be made on the authority of an expert (other than himself) or purporting to be a copy of or extract from a report or valuation of an expert (other than himself), he had no reasonable ground to believe and did not believe, at the time such part of the registration statement became effective, that the statements herein were untrue or that there was an omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that such part of the registration statement did not fairly represent the statement of the expert or was not a fair copy of or extract from the report or valuation of the expert. The Secretary shall for the purposes of this subsection by rules and regulations define and prescribe the means reasonably designed to prevent such transactions, practices or courses of business as are fraudulent and deceptive; and (D) as regards any part of the registration statement purporting to be a statement made by an official person or purporting to be a copy of or extract from a public official document, he had no reasonable ground to believe and did not believe, at the time such part of the registration statement became effective, that



1 the statements therein were untrue, or that there was an  
2 omission to state a material fact required to be stated  
3 therein or necessary to make the statements therein not  
4 misleading, or that such part of the registration state-  
5 ment did not fairly represent the statement made by the  
6 official person or was not a fair copy of or extract from  
7 the public official document.

8 (c) In determining, for the purpose of paragraph (3)  
9 of subsection (b) of this section, what constitutes reason-  
10 able investigation and reasonable ground for belief, the  
11 standard of reasonableness shall be that required of a prudent  
12 man in the management of his own property.

13 (d) The suit authorized under subsection (a) may be  
14 to recover such damages as shall represent the difference be-  
15 tween the amount paid for the interest, lot, or parcel (not  
16 exceeding the price at which it was offered to the public)  
17 and (1) the value thereof as of the time such suit was  
18 brought, or (2) the price at which such interest, lot, or  
19 parcel shall have been disposed of in the market before suit,  
20 or (3) the price at which such interest, lot, or parcel shall  
21 have been disposed of after suit but before judgment if such  
22 damages shall be less than the damages representing the  
23 difference between the amount paid for the interest, lot, or  
24 parcel in a subdivision (not exceeding the price at which  
25 it was offered to the public) and the value thereof as of the

1 time such suit was brought: *Provided*, That if the defendant  
2 proves that any portion or all of such damages represents  
3 other than the depreciation in value of such interest, lot, or  
4 parcel resulting from such part of the registration statement,  
5 with respect to which his liability is asserted, not being true  
6 or omitting to state a material fact required to be stated  
7 therein or necessary to make the statements therein not mis-  
8 leading, such portion of or all such damages shall not be re-  
9 coverable. In any suit under this or any other section of this  
10 title the court may, in its discretion, require an undertaking  
11 for the payment of the costs of such suit, including reason-  
12 able attorney's fees, and if judgment shall be rendered  
13 against a party litigant, upon the motion of the other party  
14 litigant, such costs may be assessed in favor of such party  
15 litigant (whether or not such undertaking has been re-  
16 quired) if the court believes the suit or the defense to have  
17 been without merit, in an amount sufficient to reimburse him  
18 for the reasonable expenses incurred by him, in connection  
19 with such suit, such costs to be taxed in the manner usually  
20 provided for taxing of costs in the court in which the suit  
21 was heard.

22 (e) All or any one or more of the persons specified  
23 in subsection (a) shall be jointly and severally liable, and  
24 every person who becomes liable to make any payment  
25 under this section may recover contribution as in cases of



1 contract from any person who, if sued separately, would  
2 have been liable to make the same payment, unless the  
3 person who has become liable was, and the other was not,  
4 guilty of fraudulent misrepresentation.

5 (f) In no case shall the amount recoverable under this  
6 section exceed the price at which the interest, lot, or parcel  
7 was offered to the public.

8 CIVIL LIABILITIES ARISING IN CONNECTION WITH  
9 PROSPECTUSES AND COMMUNICATIONS

10 SEC. 1211. Any developer or agent who—

11 (1) offers, sells, or leases an interest, lot, or parcel  
12 in a subdivision in violation of section 4 of this Act, or

13 (2) offers, sells, or leases an interest, lot, or parcel  
14 in a subdivision by the use of any means or instruments  
15 of transportation or communication in interstate com-  
16 merce or of the mails, by means of a prospectus or other  
17 communication, written or oral, which includes an un-  
18 true statement of a material fact or omits to state a  
19 material fact necessary in order to make the statements,  
20 in the light of the circumstances under which they were  
21 made, not misleading (the purchaser not knowing of  
22 such untruth or omission), and who shall not sustain  
23 the burden of proof that he did not know, and in the  
24 exercise of reasonable care could not have known, of  
25 such untruth or omission, shall be liable to the person

1 purchasing such interest from him, who may sue either  
2 at law or in equity in any court of competent juris-  
3 diction, to recover the consideration paid for such  
4 interest with interest thereon, less the amount of any  
5 income received thereon, upon the tender of such in-  
6 terest, or for damages if he no longer owns such interest.

7 INELIGIBILITY OF CERTAIN PERSONS

8 SEC. 1212. (a) It shall be unlawful for any person to  
9 act as developer or agent who within ten years has been  
10 convicted of any felony, misdemeanor, or is subject to a stop  
11 order, or permanent injunction involving the purchase or  
12 sale of any interest in land, or arising out of such person's  
13 conduct as a developer, or agent, involving embezzlement,  
14 fraudulent conversion, or misappropriation of funds, secu-  
15 rities, or interests in land, or involving the violation of sec-  
16 tion 1341, 1342, or 1343 of title 18, United States Code,  
17 or who has been found by the Secretary to have willfully  
18 violated any provision of any Act which he administers or  
19 who has been found to have been a cause of such violation.

20 (b) Any person who is ineligible, by reason of sub-  
21 section (a), to act as developer or agent, may file with the  
22 Secretary an application for an exemption from the provi-  
23 sions of that subsection. The Secretary shall by order  
24 grant such application, either unconditionally or on an  
25 appropriate temporary or other conditional basis, if it is



1 established that the prohibitions of subsection (a), as ap-  
2 plied to such person, are unduly or disproportionately severe  
3 or that the conduct of such person has been such as not to  
4 make it against the public interest or protection of investors  
5 to grant such application.

6 COURT REVIEW OF ORDERS

7 SEC. 1213. (a) Any person aggrieved by an order of the  
8 Secretary may obtain a review of such order in the court  
9 of appeals of the United States, within any circuit wherein  
10 such person resides or has his principal place of business,  
11 or in the United States Court of Appeals for the District of  
12 Columbia, by filing in such court, within sixty days after  
13 the entry of such order, a written petition praying that the  
14 order of the Secretary be modified or be set aside in whole  
15 or in part. A copy of such petition shall be forthwith trans-  
16 mitted by the clerk of the court to the Secretary, and  
17 thereupon the Secretary shall file in the court the record  
18 upon which the order complained of was entered, as pro-  
19 vided in section 2112 of title 28, United States Code. No  
20 objection to the order of the Secretary shall be considered  
21 by the court unless such objection shall have been urged  
22 before the Secretary. The finding of the Secretary as to  
23 the facts, if supported by evidence, shall be conclusive.  
24 If either party shall apply to the court for leave to adduce  
25 additional evidence, and shall show to the satisfaction of the

1 court that such additional evidence is material and that there  
2 were reasonable grounds for failure to adduce such evidence  
3 in the hearing before the Secretary, the court may order  
4 such additional evidence to be taken before the Secretary  
5 and to be adduced upon the hearing in such manner and upon  
6 such terms and conditions as to the court may seem proper.  
7 The Secretary may modify his findings as to the facts by  
8 reason of the additional evidence so taken, and he shall file  
9 such modified or new findings, which, if supported by evi-  
10 dence, shall be conclusive, and his recommendation, if any,  
11 for the modification or setting aside of the original order.  
12 The jurisdiction of the court shall be exclusive and its judg-  
13 ment and decree, affirming, modifying, or setting aside, in  
14 whole or in part, any order of the Secretary, shall be final,  
15 subject to review by the Supreme Court of the United States  
16 upon certiorari or certification as provided in sections 239  
17 and 240 of the Judicial Code as amended (28 U.S.C.  
18 346-347).

19 (b) The commencement of proceedings under subsec-  
20 tion (a) shall not, unless specifically ordered by the court,  
21 operate as a stay of the Secretary's order.

22 LIMITATION OF ACTIONS

23 SEC. 1214. No action shall be maintained to enforce any  
24 liability created under section 10 or 11 (2) unless brought  
25 within three years after the discovery of the untrue state-



1 ment or the omission, or after such discovery should have  
2 been made by the exercise of reasonable diligence, or, if the  
3 action is to enforce a liability created under section 11 (1),  
4 unless brought within three years after the violation upon  
5 which it is based. In no event shall any such action be  
6 brought to enforce a liability created under section 10 more  
7 than five years after the sale of all the interests, lots, or  
8 parcels which are the subject of a particular offering (other  
9 than any as to which the offering has been withdrawn), or  
10 under section 11 (2) more than five years after the sale.

11                                   CONTRARY STIPULATIONS VOID

12       SEC. 1215. Any condition, stipulation, or provision  
13 binding any person acquiring any interest, lot, or parcel in a  
14 subdivision to waive compliance with any provision of this  
15 title or of the rules and regulations of the Secretary shall  
16 be void.

17                                   ADDITIONAL REMEDIES

18       SEC. 1216. The rights and remedies provided by this Act  
19 shall be in addition to any and all other rights and remedies  
20 that may exist at law or in equity.

21                                   FRAUDULENT INTERSTATE TRANSACTIONS

22       SEC. 1217. It shall be unlawful for any developer or  
23 agent in the offer or sale or lease of any interests, lots, or  
24 parcels in any subdivision by the use of any means or instru-

1 ments of transportation or communication in interstate com-  
2 merce or by the use of the mails, directly or indirectly—

3 (a) to employ any device, scheme, or artifice to  
4 defraud, or

5 (b) to make any untrue statement of a material  
6 fact or to omit to state a material fact necessary in order  
7 to make the statements made, in the light of the cir-  
8 cumstances under which they were made, not mislead-  
9 ing, or

10 (c) to engage in any transaction, practice, or  
11 course of business which operates or would operate as  
12 a fraud or deceit upon the investor.

13 INVESTIGATIONS, INJUNCTIONS, AND PROSECUTION OF  
14 OFFENSES

15 SEC. 1218. (a) Whenever it shall appear to the Secre-  
16 tary that any person is engaged or about to engage in any  
17 acts or practices which constitute or will constitute a viola-  
18 tion of the provisions of this Act, or of any rule or regula-  
19 tion prescribed thereunder, he may, in his discretion, bring  
20 an action in any district court of the United States, or the  
21 United States District Court for the District of Columbia to  
22 enjoin such acts or practices, and upon a proper showing a  
23 permanent or temporary injunction or restraining order shall  
24 be granted without bond. The Secretary may transmit such



1 evidence as may be available concerning such acts or  
2 practices to the Attorney General who may, in his dis-  
3 cretion, institute the appropriate criminal proceedings under  
4 this Act.

5       (b) The Secretary may, in his discretion, make such  
6 investigations as he deems necessary to determine whether  
7 any person has violated or is about to violate any provision  
8 of this title or any rule or regulation thereunder, and may  
9 require or permit any person to file with it a statement in  
10 writing, under oath or otherwise as the Secretary shall  
11 determine, as to all the facts and circumstances concern-  
12 ing the matter to be investigated. The Secretary is author-  
13 ized, in his discretion, to publish information concerning  
14 any such violations, and to investigate any facts, conditions,  
15 practices, or matters which he may deem necessary or proper  
16 to aid in the enforcement of the provisions of this title, in  
17 the prescribing of rules and regulations thereunder, or in  
18 securing information to serve as a basis for recommending  
19 further legislation concerning the matters to which this title  
20 relates.

21       (c) For the purpose of any such investigation, or any  
22 other proceeding under this title, any member of the Depart-  
23 ment of Housing and Urban Development or any officer  
24 designated by the Secretary is empowered to administer  
25 oaths and affirmations, subpoena witnesses, compel their

1 attendance, take evidence, and require the production of any  
2 books, papers, correspondence, memorandums, or other rec-  
3 ords which the Secretary deems relevant or material to the  
4 inquiry. Such attendance of witnesses and the production of  
5 any such records may be required from any place in the  
6 United States or any State at any designated place of  
7 hearing.

8 (d) In case of contumacy by, or refusal to obey a  
9 subpoena issued to, any person, the Secretary may invoke  
10 the aid of any court of the United States within the juris-  
11 diction of which such investigation or proceeding is carried  
12 on, or where such person resides or carries on business, in  
13 requiring the attendance and testimony of witnesses and the  
14 production of books, papers, correspondence, memorandums,  
15 and other records. And such court may issue an order  
16 requiring such person to appear before the Secretary or  
17 member or officer designated by the Secretary, there to  
18 produce records, if so ordered, or to give testimony touching  
19 the matter under investigation or in question; and any fail-  
20 ure to obey such order of the court may be punished by such  
21 court as a contempt thereof. All process in any such case  
22 may be served in the judicial district whereof such person  
23 is an inhabitant or wherever he may be found. Any per-  
24 son who shall, without just cause, fail or refuse to attend and  
25 testify or to answer any lawful inquiry or to produce books,



1 papers, correspondence, memorandums, and other records,  
2 if in his power to do so, in obedience to the subpoena of the  
3 Secretary, shall be guilty of a misdemeanor and, upon con-  
4 viction, shall be subject to a fine of not more than \$1,000 or  
5 to imprisonment for a term of not more than one year, or  
6 both.

7 (e) No person shall be excused from attending and  
8 testifying or from producing books, papers, contracts, agree-  
9 ments, and other records and documents before the Sec-  
10 retary, or in obedience to the subpoena of the Secretary  
11 or any member thereof or any officer designated by him, or  
12 in any cause or proceeding instituted by the Secretary, on  
13 the ground that the testimony or evidence, documentary or  
14 otherwise, required of him may tend to incriminate him or  
15 subject him to a penalty or forfeiture; but no individual  
16 shall be prosecuted or subject to any penalty or forfeiture  
17 for or on account of any transaction, matter, or thing con-  
18 cerning which he is compelled, after having claimed his  
19 privilege against self-incrimination, to testify or produce evi-  
20 dence, documentary or otherwise, except that such indi-  
21 vidual so testifying shall not be exempt from prosecution  
22 and punishment for perjury committed in so testifying.

23 HEARINGS BY SECRETARY

24 SEC. 1219. All hearings shall be public and may be held  
25 before the Secretary or an officer or officers of the Secretary

1 designated by him and appropriate records thereof shall be  
2 kept.

### 3 UNLAWFUL REPRESENTATIONS

4 SEC. 1220. Neither the fact that the registration state-  
5 ment for interests, lots, or parcels in a subdivision has been  
6 filed or is in effect nor the fact that a stop order is not in  
7 effect with respect thereto shall be deemed a finding by the  
8 Secretary that the registration statement is true and accurate  
9 on its face or that it does not contain an untrue statement of  
10 fact or omit to state a material fact, or be held to mean the  
11 Secretary has in any way passed upon the merits of, or  
12 given approval to, such interests, lots, or parcels. It shall be  
13 unlawful to make, or cause to be made, to any prospective  
14 purchaser any representation contrary to the foregoing pro-  
15 visions of this section.

### 16 PENALTIES

17 SEC. 1221. Any person who willfully violates any of the  
18 provisions of this title, or the rules and regulations promul-  
19 gated thereunder, or any person who willfully, in a registra-  
20 tion statement filed under this title, makes any untrue state-  
21 ment of a material fact or omits to state any material fact  
22 required to be stated therein or necessary to make the state-  
23 ments therein not misleading, shall upon conviction be fined  
24 not more than \$5,000 or imprisoned not more than five  
25 years, or both.



## 1                    RULES, REGULATIONS, AND ORDERS

2            SEC. 1222. The Secretary shall have authority from  
3 time to time to make, issue, amend, and rescind such rules  
4 and regulations and such orders as are necessary or appro-  
5 priate to the exercise of the functions and powers conferred  
6 upon the Secretary elsewhere in this Act. For the pur-  
7 pose of his rules and regulations the Secretary may classify  
8 persons and matters within his jurisdiction and prescribe  
9 different requirements for different classes of persons or  
10 matters.

## 11                    JURISDICTION OF OFFENSES AND SUITS

12            SEC. 1223. (a) The district courts of the United States,  
13 the United States courts of any territory, and the United  
14 States District Court for the District of Columbia shall have  
15 jurisdiction of offenses and violations under this title and  
16 under the rules and regulations promulgated by the Secretary  
17 in respect thereto, and concurrent with State and terri-  
18 torial courts, of all suits in equity and actions at law  
19 brought to enforce any liability or duty created by this title.  
20 Any such suit or action may be brought in the district  
21 wherein the defendant is found or is an inhabitant or trans-  
22 acts business, or in the district where the offer or sale took  
23 place, if the defendant participated therein, and process in  
24 such cases may be served in any other district of which the  
25 defendant is an inhabitant or wherever the defendant may be

1 found. Judgments and decrees so rendered shall be subject  
2 to review as provided in sections 128 and 240 of the Judicial  
3 Code, as amended (28 U.S.C. 225, 347). No case arising  
4 under this title and brought in any State court of competent  
5 jurisdiction shall be removed to any court of the United  
6 States. No costs shall be assessed for or against the Sec-  
7 retary in any proceeding under this title brought by or  
8 against it in the Supreme Court or such other courts.



**Amdt. No. 600**

90TH CONGRESS  
2d Session

**S. 3029**

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## **AMENDMENT**

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Intended to be proposed by Mr. WILLIAMS of New Jersey to S. 3029, a bill to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development.

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MARCH 4, 1968

Referred to the Committee on Banking and Currency  
and ordered to be printed







# DIGEST of Congressional Proceedings

## OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE  
WASHINGTON, D. C. 20250  
OFFICIAL BUSINESS

POSTAGE AND FEES PAID  
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE  
FOR INFORMATION ONLY;  
(NOT TO BE QUOTED OR CITED)

Issued March 13, 1968  
For actions of March 12, 1968  
90th-2nd; No. 40

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HIGHLIGHTS: Rep. Sullivan introduced and discussed administration's food stamp bill.

### HOUSE

1. FARM INCOME. Rep. Dole stated "America's agricultural economy is in trouble" and made recommendations "to improve farm income." p..H1843
2. SUGAR. Rep. Long, La., deplored the "imbalance in domestic sugar quotas," expressed his intention to introduce legislation to correct the situation, and inserted tables presenting the "mainland sugarcane farmer in crisis." pp. H1846-9



3. CONSERVATION. Rep. Hicks urged approval of the President's safe drinking water proposal (p. H1834), Rep. Harsha commended the President's request to extend the Solid Waste Act (p. H1866), and Rep. Cohelan praised the President's appeal for establishment of a Redwood National Park in Calif. (p. H1869).
4. FLOOD CONTROL. Rep. Monagan stated that urban renewal undertaken in flood-prone areas must be accompanied by "flood protection bulwarks" and inserted an editorial about a shopping center in Danbury, Conn., built in a former flood-prone area. pp. H1868-9
5. EXECUTIVE COMMUNICATIONS. Received from this Dept. a report of agreements signed under Public Law 480 in Jan. and Feb. 1968 for use of foreign currencies. p. H1874  
Received from OEP a copy of the statistical supplement, stockpile report to the Congress, for the period ending Dec. 31, 1967. p. H1874  
Received from GAO a report "of review of the community action program in the Los Angeles area under the Economic Opportunity Act." p. H1874  
Received from Interior the following draft bills: To provide for cooperation between Interior and the States with respect to the regulation of surface mining operations and the reclamation of surface-mined areas; to Interior and Insular Affairs Committee. To establish the Potomac National River in Md., Va., and W. Va.; to Interior and Insular Affairs Committee. To amend the Federal Water Pollution Control Act, relating to the construction of waste treatment works and to the conduct of water pollution control research; to Public Works Committee. "To amend the Federal Water Pollution Control Act"; to Public Works Committee. p. H1874  
Received from Federal Power Commission "a statement of the views of the Commission relative to Federal acquisition of the Mystic Lake hydroelectric project which the Montana Power Co. owns and operates under a Federal Power Act license. p. H1874  
Received from HEW a draft bill, "Safe Drinking Water Act of 1968"; to Interstate and Foreign Commerce Committee. p. H1874

SENATE

6. SOLID WASTE. Received from HEW a draft bill "to protect the public health by extending for 1 year the provisions on research and assistance for State and interstate planning for solid waste disposal"; to the Committee on Public Works. p. S2627
7. COSPONSORS. Sens. Magnuson, Bennett, Moss, and Spong were added as cosponsors of S. 2951, to determine policy with respect to the authority of the States to control fish and wildlife within their territorial boundaries. p. S2628
8. HOUSING. Sen. Proxmire submitted an amendment to S. 3029, "the omnibus housing bill", to require that the President prepare a specific 10-year housing program for submission to the Congress. pp. S2628-9  
Sen. Proxmire inserted Sen. Sparkman's speech before the Annual Convention of the National Housing Conference. He also inserted the text of the resolutions adopted by the membership, one section of which deals with rural housing. pp. S2637-56

# S. 3029

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IN THE SENATE OF THE UNITED STATES

MARCH 12, 1968

Referred to the Committee on Banking and Currency and ordered to be printed

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## AMENDMENTS

Intended to be proposed by Mr. HARTKE to S. 3029, a bill to assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development, viz:

1       On page 42, line 9, strike out "INSURANCE OPER-  
2   ATIONS".

3       On page 42, between lines 9 and 10, insert the fol-  
4   lowing:

5               "PART A—INSURANCE OPERATIONS".

6       On page 59, after line 23, insert the following:

7               "PART B—DIRECT LOANS

8   "ASSISTANCE FOR PERSONS UNABLE TO OBTAIN REQUISITE

9   FUNDS FOR HOME FINANCING FROM OTHER SOURCES

10       "SEC. 320. (a) The Secretary of Housing and Urban  
11   Development (hereinafter referred to as the 'Secretary') is



1 authorized to make loans to individuals and families for the  
2 purchase, construction, or rehabilitation of dwellings to be  
3 occupied by such individuals or families as homes, if the  
4 Secretary determines that the individual or family applying  
5 for the loan is unable to secure the necessary funds from other  
6 sources upon reasonable terms and conditions notwithstanding  
7 the fact that—

8 “(1) the inability of such individual or family to  
9 obtain such funds is not due to a temporary shortage  
10 of mortgage funds for the purchase or construction of  
11 homes;

12 “(2) the property with respect to which the loan  
13 is made is an acceptable risk; and

14 “(3) such individual or family meets such require-  
15 ments with respect to credit as may be applicable in  
16 the case of mortgagors under mortgages insured pursuant  
17 to section 203 of the National Housing Act.

18 “(b) Any loan under this section shall be made on such  
19 terms and conditions as may be prescribed by the Secretary,  
20 subject to the following limitations:

21 “(1) The term of the loan shall not exceed thirty  
22 years, or, in the case of rehabilitation, three-fourths of  
23 the remaining economic life of the structure after re-  
24 habilitation.

25 “(2) The loan shall bear interest at such rate as

1 the Secretary determines to be appropriate but not to  
2 exceed 6 per centum of the amount of the principal out-  
3 standing at any time, and the Secretary may prescribe  
4 such other charges as he deems necessary, including  
5 service charges and appraisal, inspection, and other  
6 fees.

7 “(3) The amount of the loan shall not exceed the  
8 principal obligation of a mortgage which could be insured  
9 under section 203 of the National Housing Act, or, in  
10 the case of rehabilitation, the amount of a loan which  
11 could be made under section 312(c) (4) (A) of the  
12 Housing Act of 1964.

13 “(4) The loan shall be adequately secured as de-  
14 termined by the Secretary.

15 “(c) The Secretary may enter into appropriate arrange-  
16 ments with public or private agencies or organizations to  
17 service loans made under this section.

18 “(d) In order to finance loans under this section there is  
19 hereby authorized to be appropriated not to exceed \$25,000,-  
20 000. Sums so appropriated and all receipts arising in connec-  
21 tion with such loans shall be deposited in a revolving fund  
22 which is hereby established in the Treasury of the United  
23 States. Moneys in the fund shall be available to the Secretary  
24 in the exercise of his functions under this section, including  
25 reimbursement or payment for services or facilities provided



1 in connection with such loans by public or private agencies or  
2 organizations. Moneys in the fund not needed for current  
3 operations under this section shall be deposited with the  
4 Treasurer of the United States to the credit of the fund, or  
5 invested in bonds or other obligations of, or guaranteed by,  
6 the United States.

7 “(e) In the performance of, and with respect to, the  
8 functions, powers, and duties vested in him by this section,  
9 the Secretary shall have (in addition to any authority other-  
10 wise vested in him) the functions, powers, and duties set  
11 forth in section 402 of the Housing Act of 1950 (except  
12 subsection (c) (2)).

13 “(f) The provisions of this section shall be administered  
14 by the Secretary through the Federal Housing Adminis-  
15 tration.”





**S. 3029**

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**AMENDMENTS**

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Intended to be proposed by Mr. HARTKE to S. 3029, a bill to assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development.

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**MARCH 12, 1968**

Referred to Committee on Banking and Currency and  
ordered to be printed

90TH CONGRESS  
2D SESSION

# S. 3029

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## IN THE SENATE OF THE UNITED STATES

APRIL 19 (legislative day, APRIL 17), 1968

Referred to the Committee on Banking and Currency and ordered to be printed

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## AMENDMENT

Intended to be proposed by Mr. JAVITS to S. 3029, a bill to assist in the provision of housing for low and moderate income families, and to extend and demand laws relating to housing and urban development, viz: At the end of the bill add a new section as follows:

1        SEC. —. (a) Subsection (a) of section 1811 of title  
2    38, United States Code, is amended—

3            (1) by striking out in the first sentence “or in small  
4        cities and towns not near large metropolitan areas” and  
5        inserting in lieu thereof “in small cities and towns not  
6        near large metropolitan areas, or in any urban area  
7        (defined without regard to political or other boundaries)  
8        having high concentrations or proportions of unemployed  
9        or low-income persons”; and



1           (2) by striking out in the second sentence “and  
2       such small cities and towns” and inserting in lieu thereof  
3       “, such small cities and towns, and such urban areas”.

4       (b) The first sentence of subsection (b) of such section  
5   1811 is amended to read as follows: “Whenever the Admin-  
6   istrator finds that private capital is not generally available  
7   in any rural area, small city or town, or urban area having  
8   high concentrations or proportions of unemployed or low-  
9   income persons for the financing of loans guaranteed under  
10   section 1810 of this title, he shall designate such rural area,  
11   small city or town, or urban area as a ‘housing credit short-  
12   age area’.”





**Amdt. No. 703**

90TH CONGRESS  
2D SESSION

**S. 3029**

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## **AMENDMENT**

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Intended to be proposed by Mr. JAVTS to S. 3029, a bill to assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development.

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APRIL 19 (legislative day, APRIL 17), 1968

Referred to the Committee on Banking and Currency  
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huge populated areas in South Vietnam, releasing thousands of prisoners from jails, enrolling them in their armed forces, drafting thousands of youngsters wherever they found them, seizing tons of rice and collecting taxes.

President Johnson owes it to the country to go before the Congress before expanding and escalating the war instead of following the proven bad advice of his generals.

It may be the intention of President Johnson to call to the White House a few chairmen and ranking majority and minority members of the Senate and House Committees on Appropriations, Armed Services, and of the Senate Foreign Relations and House Foreign Affairs Committees and inform what is called the leadership of our direful situation in waging a major ground war in Southeast Asia and the need for escalating and expanding it instead of disengaging seeking to test the good faith of Hanoi by announcing an unconditional halt of bombing of North Vietnam.

This is not sufficient. The American people are entitled to know. It is sad to report it but we are at the crossroads, one way leading toward an armistice and eventually peace, the other surely leading toward giving in to the generals and a land invasion of North Vietnam comparable to the Inchon landing and bringing on a confrontation on battlefields with huge ground forces of Communist China.

President Johnson, with his background as a great legislator, should have recalled to him that Edmund Burke, England's greatest paliammentarian, said:

War never leaves where it found a nation.

It would be well, too, for President Johnson to bear in mind that Sallust, the great Roman historian, centuries before the birth of our Saviour, wrote:

It is always easy to begin a war, but very difficult to stop one; since its beginning and end are not under the control of the same man.

Also, at a time when the Joint Chiefs of Staff have signed a promise to the President that Khe Sanh will not be overrun, President Johnson, as Commander in Chief of our Armed Forces, would do well to recall that Martin Luther said:

War is the greatest plague that can afflict humanity. It destroys states. It destroys families. Any scourge is preferable to it."

In addition, as a teacher of American history, President Johnson should recall that Benjamin Franklin, who at 81 was the oldest member of our Constitutional Convention, wrote:

There never was a good war or a bad peace.

Carl Schurz, a penniless immigrant, who had fought in the unsuccessful revolt against the imperial despot in Germany in 1848, later became a general officer in the Union Army in the War Between the States and then afterward a Member of Congress said:

Our country, right or wrong. When right, to be kept right; when wrong, to be put right.

It is unsatisfactory that our President consult only with "Senate leadership and House leadership" so-called. He should go before the American people and before 100 Members of the Senate of the United

States and all Members of the House of Representatives. He owes it to the American people and to himself to do this before committing an additional 100,000 or 200,000 of the flower of American manhood to combat in South Vietnam, a small area 10,000 miles distant from our Nation and of no strategic or economic importance whatever to the defense of our country.

#### COMMITTEE MEETINGS DURING SENATE SESSION

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the Committee on Foreign Relations and the Subcommittee on Housing and Urban Affairs of the Committee on Banking and Currency be authorized to meet during the session of the Senate today.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

#### PRIVILEGE OF THE FLOOR

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that a member of the staff of the Senator from California [Mr. KUCHEL], Mr. John E. "Duke" Merriam, be given the privilege of the floor today during the consideration of the gold cover measure.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

#### ORDER OF BUSINESS

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

#### EXECUTIVE COMMUNICATIONS, ETC.

The ACTING PRESIDENT pro tempore laid before the Senate the following letters, which were referred as indicated:

##### REPORT ON REAPPORTIONMENT OF AN APPROPRIATION

A letter from the Director, Bureau of the Budget, Executive Office of the President, reporting, pursuant to law, that the appropriation to the Department of Health, Education, and Welfare under the "Limitation on salaries and expenses (trust fund)," Social Security Administration, for the fiscal year 1968 had been apportioned on a basis indicating a need for a supplemental estimate of appropriations; to the Committee on Appropriations.

##### REPORT OF COMPTROLLER GENERAL

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on internal audit activities in the Department of Defense, dated March 8, 1968 (with an accompanying report); to the Committee on Government Operations.

##### REPORT OF CLAIMS SETTLED BY AGENCY FOR INTERNATIONAL DEVELOPMENT

A letter from the Director, Congressional Liaison, Agency for International Development, Department of State, transmitting, pursuant to law, a report of claims settled by the Agency during the period January 1,

1967 through December 31, 1967 (with an accompanying report); to the Committee on the Judiciary.

#### PROPOSED EXTENSION OF SOLID WASTE DISPOSAL ACT

A letter from the Acting Secretary, Department of Health, Education, and Welfare, transmitting a draft of proposed legislation to protect the public health by extending for 1 year the provisions on research and assistance for State and interstate planning for solid waste disposal, and for other purposes; to the Committee on Public Works.

#### BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. JORDAN of Idaho:

S. 3138. A bill for the relief of Jose Luis Gorostiza;

S. 3139. A bill for the relief of Juan Cruz Zubizarreta;

S. 3140. A bill for the relief of Tiburcio Tellechea;

S. 3141. A bill for the relief of Pablo Jayo; and

S. 3142. A bill for the relief of Lucio Irazoqui; to the Committee on the Judiciary.

By Mr. HOLLAND:

S. 3143. A bill to amend the Commodity Exchange Act, as amended, to make frozen concentrated orange juice subject to the provisions of such act; to the Committee on Agriculture and Forestry.

By Mr. MAGNUSON:

S. 3144. A bill to amend the Marine Resources and Engineering Development Act of 1966 and the National Sea Grant College and Program Act of 1966 in order to provide financing for programs under such acts; to the Committee on Commerce.

(See the remarks of Mr. MAGNUSON when he introduced the above bill, which appears under a separate heading.)

By Mr. COTTON:

S. 3145. A bill to impose a duty of 10 cents per pound on fresh or frozen blueberries imported into the United States; to the Committee on Finance.

By Mr. HILL:

S. 3146. A bill to protect the public health by amending the Federal Food, Drug, and Cosmetic Act to provide for the U.S. Compendium of Drugs which lists all prescription drugs under their generic names together with reliable, complete, and readily accessible prescribing information and includes brand names, suppliers, and a price information supplement, and to provide for distribution of the compendium to physicians and others, and for other purposes; and

S. 3147. A bill to amend the Public Health Service Act so as to help secure safe community water supplies, and for other purposes; to the Committee on Labor and Public Welfare.

#### S. 3144—INTRODUCTION OF BILL RELATING TO MARINE RESOURCES FUND

Mr. MAGNUSON. Mr. President, I am today introducing a bill, for appropriate reference, to amend the Marine Resources and Engineering Development Act and title II of that act, the National Sea Grant College and Program Act.

The bill would amend this legislation in two particulars.

First, it would earmark portions of the Federal revenue from Outer Continental Shelf oil leases for exploration and mapping of the marine environment. Second, it would earmark funds for enlarging the sea grant college program.



This proposed legislation is predicated on my conviction that we should reinvest at least part of the revenues the Government obtains from the Continental Shelf and Outer Continental Shelf in programs that will expand the resources that provide these revenues. This is the practical and sensible thing to do; it is sound in business and equally sound in government.

The bill would create a marine resources fund of which \$25 million would be made available annually for appropriation for marine exploration and mapping.

They would thus assist in locating new oil, gas, and mineral deposits which would further stimulate industry to invest in their development.

Such a program will produce major results and benefits, increase not only our knowledge of the waters that surround our continent but of our latent wealth in marine resources. It will provide new incentives to marine and offshore industries.

One of the great needs in the field of ocean exploration is scientific and technological manpower.

The sea grant program, if adequately financed, has a tremendous potential for providing the specialized manpower that will be needed in the years ahead and particularly to reap maximum benefits from ocean exploration.

The bill I have introduced today provides a firm basis for funding this program.

The oceans and the lands beneath them are already producing great wealth. Reinvesting a portion of this wealth in the oceans will produce a greater wealth of resources to the benefit of our Nation and mankind.

The ACTING PRESIDENT pro tempore. The bill will be received and appropriately referred.

The bill (S. 3144) to amend the Marine Resources and Engineering Development Act of 1966 and the National Sea Grant College and Program Act of 1966 in order to provide financing for programs under such acts, introduced by Mr. MAGNUSON, was received, read twice by its title, and referred to the Committee on Commerce.

#### ADDITIONAL COSPONSORS OF BILL, JOINT RESOLUTION, AND CONCURRENT RESOLUTION

Mr. BIBLE. Mr. President, I ask unanimous consent that, at its next printing, the names of the Senator from Washington [Mr. MAGNUSON], the Senators from Utah [Mr. BENNETT and Mr. MOSS] and the Senator from Virginia [Mr. SPONG] be added as cosponsors of my bill (S. 2951) to determine the policy of the Congress with respect to the authority of the several States to control and regulate fish and wildlife within their territorial boundaries.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. BYRD of West Virginia. Mr. President, on behalf of the senior Senator from North Carolina [Mr. ERVIN] I ask unanimous consent that, at its next printing, the names of the Senator from

Arizona [Mr. FANNIN] and the Senator from Colorado [Mr. ALLOTT] be added as cosponsors of the joint resolution (S.J. Res. 150) to designate the month of May 1968 as "National Arthritis Month."

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. MILLER. Mr. President, on behalf of the Senator from Oregon [Mr. HATFIELD] I ask unanimous consent that at its next printing, the name of the Senator from Indiana [Mr. HARTKE] be added as a cosponsor to the concurrent resolution (S. Con. Res. 63) relating to the extension of the ground war in Vietnam.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

#### PROVISION OF HOUSING FOR LOW- AND MODERATE-INCOME FAMILIES—AMENDMENTS

AMENDMENT NO. 607

Mr. HARTKE submitted amendments, intended to be proposed by him, to the bill (S. 3029) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development, which were referred to the Committee on Banking and Currency, and ordered to be printed.

#### THE ELIMINATION OF RESERVE REQUIREMENTS—AMENDMENTS

AMENDMENT NO. 608

Mr. FANNIN submitted amendments, intended to be proposed by him, to the bill (H.R. 14743) to eliminate the reserve requirements for Federal Reserve notes and for U.S. notes and Treasury notes of 1890, which were ordered to lie on the table and to be printed.

(See reference to the above amendment when submitted by Mr. FANNIN, which appears under a separate heading.)

AMENDMENT NO. 609

Mr. ALLOTT submitted amendments, intended to be proposed by him, to House bill 14743, supra, which were ordered to lie on the table and to be printed.

AMENDMENT NO. 610

Mr. DOMINICK submitted an amendment, intended to be proposed by him, to House bill 14743, supra, which was ordered to lie on the table and to be printed.

(See reference to the above amendment when submitted by Mr. DOMINICK, which appears under a separate heading.)

AMENDMENT NO. 611

Mr. MILLER. Mr. President, I submit an amendment, intended to be proposed by me, to House bill 14743, supra, and I ask unanimous consent that the amendment be printed in the RECORD.

The ACTING PRESIDENT pro tempore. The amendment will be received, printed, and will lie on the table; and, without objection, the amendment will be printed in the RECORD.

The amendment (No. 611) is as follows:

Add the following section at the end of the bill:

"Except for increased costs (military and other) of the Vietnam war, other emergency defense needs, and increased interest on the public debt that may exceed estimates set forth therefor in the budget for 1969 (H. Doc. 225), net aggregate expenditure of Federal funds (as shown on page 542 of H. Doc. 225, Part 1) during the fiscal year ending June 30, 1969, shall not exceed \$139,400,000,000; *Provided*, That action to enact a ten per cent income tax surcharge shall be taken within thirty days from date of enactment of this Act."

AMENDMENT NO. 612

Mr. CHURCH proposed an amendment to House bill 14743, supra, which was ordered to be printed.

(See reference to the above amendment when proposed by Mr. CHURCH, which appears under a separate heading.)

#### PROVISION OF HOUSING FOR LOW- AND MODERATE-INCOME FAMILIES—AMENDMENTS

AMENDMENT NO. 613

Mr. PROXMIRE. Mr. President, I was delighted by the President's recent decision to recommend a 10-year housing program to realize the goal set forth in the Housing Act of 1949—"a decent home and a suitable living environment" for every family.

Despite the fact that this goal was declared in 1949, we are still as far away from achieving it as ever. If we are to eliminate slums and substandard housing units and construct the decent, safe, and sanitary housing units required, we must have a long-range and realistic plan for realizing the goal. As I understand it, this is the aim of the President's proposed program for the construction of 6 million federally assisted housing units for low- and moderate-income families over a 10-year period.

Mr. President, I believe this 10-year program must be given sufficient statutory recognition to insure that it is an actual working goal and not just a statement of desire. I am, therefore, submitting an amendment to S. 3029, the administration's omnibus housing bill, to require that the President prepare a specific 10-year housing program for submission to the Congress. The proposed 10-year program would be contained in a formal report to be made to Congress next January. The program would show the number of federally assisted housing units to be constructed each year under each of the various programs. The plan would also show the annual appropriations required by the Federal Government.

Each year thereafter the President would submit a revised annual report to Congress. In this report, he would compare the actual progress obtained measured against the goals of the plan. If for any reason the goals of the plan are not being attained, the President would be required to specify the reasons and outline the actions necessary for bringing the plan back on schedule.

An annual report will serve to focus the attention of Congress and the execu-



tive branch upon our long-term housing program. It would have the same function and the same status as the President's Economic Report. It would make more firm the commitment of our Nation to a decent, safe and sanitary home for every family.

Mr. President, the proposed 10-year program and the submission of an annual report are merely standard business techniques which any hard-headed business manager would use in managing the affairs of his corporation. Many of the most successful corporations in our dynamic private economy have 10- or even 20-year capital improvement programs. The board of directors of these corporations are not satisfied with haphazard or slipshod programs subject to sudden spurts of activity. The most successful corporations require precise quantitative goals and hold those in charge responsible for meeting these goals. These are the same techniques which Secretary McNamara has used to revolutionize management in the Pentagon.

Mr. President, I believe Congress should use these same techniques in holding the executive branch accountable for its actions. I particularly believe the congressional committees of Congress can exercise more effective administrative oversight of their respective departments if they have a specific long-range plan against which to measure the agencies annual activities.

Mr. President, I ask unanimous consent that this amendment be printed in the RECORD.

The ACTING PRESIDENT pro tempore. The amendment will be received, printed, and appropriately referred; and, without objection, the amendment will be printed in the RECORD.

The amendment (No. 613) was referred to the Committee on Banking and Currency, as follows:

On page 145, after line 18, insert the following:

**"TITLE XI—TEN-YEAR HOUSING PROGRAM**

**"DECLARATION OF PURPOSE**

"SEC. 1101. The Congress finds and declares that the national commitment to the goal of 'a decent home and a suitable living environment for every American family', as set forth in section 2 of the Housing Act of 1949, can be fulfilled in a ten-year period by the effective utilization, in accordance with a definite plan, of the available resources and capabilities existing in the public and private sectors of the economy. It is the purpose of this title to provide for the development of such a plan and to require periodic reporting with respect to the execution thereof.

**"REPORT OUTLINING PLAN**

"SEC. 1102. Not later than January 15, 1969, the President shall make a report to the Congress setting forth a plan, to be carried out over a period of ten years (June 30, 1968, to June 30, 1978), for the elimination of all substandard housing and the realization of the goal referred to in section 1101. Such plan shall—

"(1) indicate the number of new or rehabilitated housing units which it is anticipated will be provided, with or without Government assistance, during each fiscal year of the ten-year period, in order to achieve the objectives of the plan, showing the number of such units which it is anticipated will be provided under each of the various Federal programs designed to assist in the provision of housing:

"(2) indicate the reduction in the number of occupied substandard housing units which it is anticipated will occur during each fiscal year of the ten-year period in order to achieve the objectives of the plan;

"(3) provide an estimate of the cost of carrying out the plan for each of the various Federal programs and for each fiscal year during the ten-year period to the extent that such costs will be reflected in the Federal budget;

"(4) make recommendations with respect to any legislative action which is necessary or desirable to achieve the objectives of the plan; and

"(5) provide such other pertinent data, estimates, and recommendations as the President deems advisable.

**"PERIODIC REPORTS**

"SEC. 1103. On January 15, 1970, and on each succeeding year through 1978, the President shall submit to the Congress a report which shall—

"(1) compare the results achieved during the preceding fiscal year for the completion of new or rehabilitated housing units and the reduction in occupied substandard housing with the objectives established for such year under the plan;

"(2) if the comparison provided under clause (1) shows a failure to achieve the objectives set for such year, indicate (A) the reasons for such failure; (B) the steps being taken to achieve the objectives of the plan during each of the remaining fiscal years of the ten-year period; and (C) any necessary revision in the objectives established under the plan for each such year;

"(3) project residential mortgage market needs and prospects for the coming calendar year, including an estimate of the requirements with respect to the availability, need, and flow of mortgage funds during such period, in order to achieve the objectives of the plan;

"(4) provide an analysis of the monetary and fiscal policies of the Government for the coming calendar year required to achieve the objectives of the plan and the impact upon the domestic economy of achieving the plan's objectives for such period;

"(5) make recommendations with respect to any additional legislative action which is necessary or desirable to achieve the objectives of the plan; and

"(6) provide such other pertinent data, estimates, and recommendations as the President deems advisable.

**"FINAL REPORT**

"SEC. 1104. On January 15, 1979, the President shall submit to the Congress a final report showing in detail the extent to which the objectives of the plan have been realized. If such objectives have not been achieved, such report shall contain an analysis of the reasons therefor, together with such recommendations as the President deems advisable for achieving such objectives at the earliest possible date."

On page 145, line 19, strike out "XI" and insert "XII".

Redesignate succeeding sections accordingly.

**NOTICE OF HEARINGS ON OMBUDSMAN PILOT PROJECT BILL**

Mr. LONG of Missouri. Mr. President, on March 27 and 28, the Senate Subcommittee on Administrative Practice and Procedure will hold public hearings in St. Louis, Mo., on S. 3123, a bill to establish a 2-year pilot project of the office of administrative ombudsman.

The hearings will be held in courtroom No. 2, U.S. Court and Customs House, 1114 Market Street, and will begin at 10 a.m. on both days.

**RAIL-WATER COOPERATION IN AGRICULTURAL MARKETING**

Mr. DIRKSEN. Mr. President, the University of Illinois has long been noted as an institution to which we can all look for new and constructive ideas helpful to the economy. Without our great State universities as a seedbed for new ideas, our country would, indeed, be poorer both materially and spiritually. It is no surprise therefore to see the 10th Agricultural Industries Forum at Urbana produce some constructive new suggestions for better cooperation between rail and water services. I would like to share with Senators the paper entitled "Impact of Rail-Water Cooperation on Agricultural Marketing," delivered by A. L. Mechling, executive vice president of the A. L. Mechling Barge Line Co. of Joliet, Ill., and ask unanimous consent that it be printed in the RECORD.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

**IMPACT OF RAIL-WATER COOPERATION ON AGRICULTURAL MARKETING**

(Remarks of F. A. Mechling, executive vice president, A. L. Mechling Barge Lines, Inc., at the 10th Agricultural Industries Forum, University of Illinois, Urbana, Ill., January 31, 1968)

All discussions of grain transportation rates of the future must take into account the enormous expansion of grain production expected in the next few years. In the middle of 1967, the President's National Advisory Commission on Food and Fiber reported that the world food deficit in the next decade could well become too large for the capabilities of the major grain exporting countries. The world's population is now at 3 billion. By 1980 it is expected to reach 4.3 billion, an increase of more than a third in only 12 years.

Today's U.S. production is about 165 million tons of grain, of which about 38 million tons is exported. Production is expected to reach 273 to 289 million tons by 1980, with about 80 million tons exported. Large as such exports sound by present standards, far more may be required to help meet urgent world needs.

I stress this background because, when we talk about trends in rates, we also have to think about where we are going to get the funds to purchase greatly expanded capacity. Every rate has to answer the question: will it provide the earnings necessary to buy the freight cars, barges and trucks needed to do the job? There is considerable concern about the question of future capacity. Obviously, in the long run, more trucks, more freight cars and more barges are urgently needed. But mere expansion is not enough. There is also the problem of off-setting rising costs of wages and materials and a strong inflationary trend. The maintenance of present economical rates on agricultural products and any hope of future rate reductions can only come from higher productivity. This in turn is a function of better technology and improved methods of operation. Our objective must be to extract the maximum efficiency from the transport system as a whole.

Increasingly, I think, more productive operations require adopting a "systems" approach to transportation, coordinating the best efficiencies of the major modes. For a variety of historic reasons, little attention has been given to improving the coordination of water and rail. This could turn out to be a major weapon in combatting the inexorable march of rising costs.

I am not primarily concerned today with current intermodal controversies, but rather with how to start building a structure for



the future so that the transportation industry, working together as a system, can be organized in the most efficient way to handle the mountainous tasks ahead. We can no longer afford old modal blinders. We must find a way to adopt a much more objective approach to traffic routing so that we can determine, not the best private advantage of the trucking companies, the barge companies, or the railroad companies, but how the best efficiencies of all three can be fitted together, in the interest of the most economical utilization of transport resources. Transportation costs have become so large a part of total costs that there is legitimate public concern about the overall efficiency of the transportation industry. Thus, if we do not promote intermodal coordination on our own terms, it is probable that the Government will do it for us on terms we may not like. In my judgment, we will find that fitting together the best efficiencies of the different modes will also mean improvement in earnings for everybody.

Anyone studying grain rate changes in the past 10 years cannot help but be impressed by the fact that the stage is being set for coordination of service between the different modes. The complex grain rate structures and extra services once so effective in tying grain transportation to one mode are being supplemented by "bare bones" transportation rates. This change has been called a trend to "a la carte" transportation. The rate covers just what the shipper wants and no more.

Stripping transportation service on grain to the "bare bones" and charging extra for extra services as desired gives shippers a new opportunity to assemble rail, barge and truck services as their interests dictate.

Equally important as an encouragement to coordination of service is the trend to higher volumes in the handling of grain. Where once elevators were 5 to 7 miles apart to accommodate the range of a horse drawn wagon, they now are further apart to accommodate truck ranges and draw from much larger areas. This means larger volumes of grain are available for movement from major interior terminals and the advantages of lower unit cost in the terminal-to-terminal handling of larger volumes can be achieved.

A major reason for taking a new look at water and rail coordination is the breakthrough to more economical operations that has taken place on the rivers in the 1960's. More powerful towboats, larger barges, larger tows of barges, and more efficient hull designs have been put into service. The dramatic result is that, despite increases in the costs of labor and materials, barge rates have been held to the level of 40 years ago. Few industries in the country can show that kind of improved productivity.

There is a temporary cloud hanging over this trend to greater efficiency among the river carriers. An obsolete section of the 1940 Interstate Commerce Act inadvertently stands as a bar to permitting the accumulation of large economical tows of 40 or more barges. The statute has been interpreted to forbid mixing regulated commodities such as iron and steel and unregulated commodities such as grain in a single tow. Without authority to mix the two types of movements, the present efficient tows would have to be split and artificial cost increases would result. Last year, Senator Warren G. Magnuson, Chairman of the Senate Commerce Committee, and Senator Vance Hartke, of Indiana, introduced a bill to modernize the section. No new exemptions would be sought, merely confirmation of the right to handle traffic already exempted by Congress in the most efficient manner.

Vigorous support came from every industry using water transportation—agriculture, manufacturing industry, coal, chemicals, fertilizers. Labor supported us. Port groups were very helpful. Various state industrial development departments supported us.

The Department of Agriculture endorsed the bill, as did the Department of Transportation. The Senate Commerce Committee unanimously endorsed it. In the House Interstate and Foreign Commerce Committee, however, although no one spoke against the merits of the bill, the river transportation measure, late last year, was tied tightly to a very broad measure for exempting railroads from regulations on bulk commodities. The House Committee apparently could not see its way to passing on the merits of the river transportation issue separately.

I will not argue the question of deregulation of the railroads here. The major public policy question involved is a relatively simple one. Barge lines and truck lines are small companies; railroads typically are very large enterprises and the merger trend is making them even larger. Any large enterprise can swamp a small, efficient competitor by abusing its economic power. A public referee is required to see that the public interest in maintaining competition is protected. In the so-called unregulated segment of the economy, the referee function is performed by the anti-trust enforcement agencies and the courts under laws such as the Sherman, Clayton and Robinson-Patman Acts and the Federal Trade Commission Act. In surface transportation, the Interstate Commerce Commission performs the referee function. So the dispute boils down to whether the referee function would be better performed for transportation by the Justice Department and the Federal Trade Commission or by the ICC.

If this argument gets too highly complicated in this session, those who benefit from low cost water carrier service must persuade Congress that two issues should be separated and that the mixing-rule bill should be passed on its own merits. It is unthinkable that Congress would be a party to cancelling out recent technological advances in river transportation and preventing future improvements in the economy of barge operations.

It seems to me that the railroads and the water carriers have a common interest in meeting the future transport needs of the country efficiently. We believe the time has come, particularly in the transportation of agricultural commodities, to create a much better climate of cooperation with rail service than has existed in the past. We plan to help develop that improved climate in every way that reason and good will can be useful.

There has been a long tradition of hostility between rail and barge service. What grounds have we for believing that the climate can be materially changed?

In the short run of a year or two, it probably can't be changed much, but beyond that I feel much more optimistic. We hear a great deal about a "gentleman's agreement" among the railroads not to work with water carriers. If there is one, I doubt very much that it can stand up against a clear showing that water-rail cooperation on particular traffic is in the best interests of particular railroads, in the best interests of shippers and farmers and, also, in the national interest in economical utilization of transport resources.

Perhaps one of the troubles has been that both railroads and water carriers have become so used to hostility that they take it for granted. We have very seldom talked about the mutual business and public advantages of cooperation. The barge lines propose to do so.

Over the last 10 years, within 100 miles of river ports, the truck lines have developed a highly efficient gathering operation to river elevators of great benefit to farmers and shippers. Additional substantial economies could be achieved and the benefits of low cost water transportation extended further inland if the same kind of business relationship could be developed with railroads as has worked so well with trucks.

I am not proposing that all grain should take the shortest route to water. There is obviously a range where all-rail and rail-water advantages are equal and beyond that where all-rail service is preferable.

I am proposing that we discuss rates on what the barge industry is beginning to call a "willing partner" basis. Let us assume the existence of a railroad as willing as a truck line to enter into a business arrangement with a water carrier. What sort of a proposition might be developed that would be good business for the railroad, good business for the farmer and shipper and good business for the water carrier?

An interesting mileage rate was established in the Western Trunk Lines tariff last year between interior points in Iowa and some Mississippi River ports which illustrates the potential. A low rate on corn for export of 36¢ a cwt or \$7.20 a ton was published to Houston from such origins as Des Moines. This compared with a rate of 52¢ a cwt or \$10.40 a ton for approximately the same distance between Des Moines and New Orleans, an equally attractive export market. After some litigation, a rate of 15½¢ a cwt was established between Des Moines and Muscatine, Iowa and other ports on the Mississippi River. A connection with the barges became possible providing service to New Orleans via Muscatine at competitive rates.

Consider the impact on access of interior grain to the export market and to alternative domestic markets if more "willing partner" rates of that kind were offered. Certainly the interest of the farmer and the shipper are on the side of achieving alternative ways of reaching their markets. Where an alternative exists, they should not lock themselves into a single route.

Consider, also, the impact of applying to a connecting service some of the new rail economies of terminal-to-terminal volume movements. A unit train shuttling between major interior terminals and large river terminals could, under some circumstances, with good volume, produce profitable transportation at nine or 10 cents a cwt for 300 miles. This might make possible rail-water grain service to the Gulf from interior points of about \$5 a ton or 25 to 26 cents a cwt, compared to the present \$10.40 a ton or 52 cents a cwt. I do not suggest that any of these figures are necessarily figures which hard bargaining, and strong shipper interest would eventually develop. But the potential is there for substantial savings. If net savings do not result, an alternative route to market may be just as valuable in making sure that the interior farmer has the full benefits of competition from alternative routes, particularly in a period of generally rising freight rates.

Would a railroad's participation in such operations be in its own business interest?

First, I suggest that given the pressing need for additional capital of all railroads, it is extremely important that it make the most intensive use possible of its new equipment. I suggest a shuttle movement to river port, properly organized with all the requirements for rapid turn-around normal in "bare bones" transportation situations, could well result in much better utilization of equipment. The average freight car is loaded only 16.2 times a year. If it could be loaded twice a week or 104 times a year in a dedicated service, its earnings potential could be much greater. Twice a week may not be possible in a seasonal business, but the trend to the establishment of large terminals where grain is held for favorable prices suggests that higher utilization could be achieved and, therefore, better earnings.

Second, a connecting railroad could share in the economies of low cost water transportation. Its earnings from a rail-water movement could be much higher than its divisions from an all-rail rate.

Third, as the merger movement continues, certain railroads, particularly smaller railroads, but even some large railroads, are



His forebears settled in the Big Thicket in 1832. While holding down multifarious non-paying jobs ranging from Sunday School superintendent to Indian Affairs Commission chairman, he elevated himself by his bootstraps from cotton picker to affluence in oil, cattle and real estate, got elected four times liberal mayor in conservative Liberty, Texas, and leads a ceaseless battle for preservation of his ancestral homeland. Almost single-handedly, Dempsie—as he is called by everyone in the Thicket—forced the feasibility study to completion. The task extended over three years during which time his motives were constantly impugned by opponents of the park proposal.

With backing from conservation groups, the study—containing a recommendation for a state park—was finally presented to Governor John Connally in March, 1965. No action was taken. The following year the State Parks and Wildlife Commission did approve creation of a 15,000-acre chain of parks in the Thicket. Nothing came of this.

Having foreseen the probability of a stalemate, a handful of courageous propark Thicketites met in a small church in Saratoga in November, 1964, and formed the Big Thicket Association—to press the park fight at federal level if necessary. Under stewardship of indefatigable Dempsie Henley, hundreds of people—many from outside Texas—now subscribe the \$5 annual fee for membership to assist in the struggle. The association has purchased the abandoned Saratoga school properties and converted them into permanent headquarters and a potential museum. The organization has been so successful in re-educating Thicketites on the importance and true purposes of the proposed park that nearly 5,000 people attended the last annual get-together.

One result of the association's activities has been a new survey of the area by the US Department of Interior. Their report recommends a multi-county, nine-area "chain of pearls" totalling 35,000 acres. Each of the nine units has been selected for a special purpose and all would be connected by a special scenic road system.

A national outcry ensued that the park should be on the order of 200,000 acres. Texas Senator Ralph Yarborough in compromise introduced a bill calling for 75,000 acres.

Meanwhile, the Big Thicket Association pads in and out of court with what they describe as "almost the regularity of a goose going barefooted" to protect the public interest from illegal operations such as "log-legging" on public lands and improper sales of timber on public rights-of-way. The association currently fights a delaying action to save the Loblolly Unit in the chain of pearls. This 548-acre stand of virgin pine and hardwood lies only 57 miles from downtown Houston.

Now land speculators have moved in to feast on the results of the recent national publicity for the Big Thicket. One of them has subdivided an area ardently desired in the park for its orchids, pitcher plants and other rare vegetation.

And finally the Federal Government in a classic example of Washington confusion may well have tendered the *coupe de grace*. At the same time the Department of Interior prepared its latest feasibility study for a park in the Thicket, the Department of Agriculture professed plans that, if carried through, will everlastingly destroy the Thicket as a botanical wonderland. Through their recently commissioned Southeast Texas Resource Conservation and Development Project, Department of Agriculture verged on draining all the counties in the Thicket. The Big Thicket Association learned this in the nick of time, persuading the Commissioners Court of Hardin County to halt the key project which blocked the drainage for the time being.

Thus the combination of forces working toward destruction of the Big Thicket appears well nigh overwhelming. But a ray of hope for preservation suddenly flashes from an unexpected direction. Certain lumber companies have lately indicated a developing sentiment favoring the park idea after all. Several have rather enthusiastically cooperated in recent reexaminations by the Department of Interior to update its park feasibility survey of 1965. Perhaps the magnificent natural cathedrals within the Big Thicket have finally reached the hearts of industrial bishops.

#### SENATOR SPARKMAN'S EXCELLENT SPEECH TO NATIONAL HOUSING CONFERENCE

Mr. PROXMIRE. Mr. President, for many years, the National Housing Conference has been the focal point for public interest in programs for housing, urban renewal, and overall community development. Its membership consists of representatives of public interest organizations, local officials, labor officials, and business and professional groups which share the common goal of supporting progressive legislation in this field. It has functioned as a clearinghouse for information and support of these programs over the years, and has played a leading role in securing enactments of the many measures for Federal assistance to housing and community development which have passed the Congress over the past three decades.

The National Housing Conference recently held its 37th annual convention in Washington. Its sessions were addressed by leading Members of Congress, of local government, and of the Federal administration, including the Vice President of the United States.

One of the speakers at the annual convention of the National Housing Conference was the distinguished Senator from Alabama [Mr. SPARKMAN], chairman of the Subcommittee on Housing and Urban Affairs. All of us who know Senator SPARKMAN and his preeminence in the field of housing recognize the significance of his opinion in this field. I believe that Members of Congress and others would benefit from reading his remarks delivered before the convention, so I ask unanimous consent that they be printed at this point in the RECORD.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

ADDRESS BY HON. JOHN SPARKMAN, OF ALABAMA, BEFORE THE 37TH ANNUAL CONVENTION OF THE NATIONAL HOUSING CONFERENCE, WASHINGTON, D.C.

I am pleased to speak once again at the Annual Meeting of the National Housing Conference.

Your meeting is well timed. We are about to embark on consideration of a big housing bill for 1968.

On Washington's birthday, the President sent his Housing Message to Congress on "The Crisis of the Cities." He painted a gloomy picture of American cities on the brink of disaster overwhelmed with staggering human and physical problems. He said there is no time to lose. He urged immediate action and outlined a plan of operation calling for new programs involving billions of Federal dollars.

The housing bill to implement the Presi-

dent's message came to Congress early last week. From the size of the bill and the tremendous dollar commitment that the Congress has been asked to approve, we see a rough road ahead.

We will need your support and the help of all of those interested in housing and urban problems to get the bill passed and signed into law.

I note that the Housing Subcommittee has scheduled your President, Nat Keith, as a witness this coming Friday. We will be glad to hear from him.

I should like to say a few words about the President's bill, but first I believe that a little background is in order.

Our Housing Subcommittee just published a pamphlet called "Congress and American Housing." It contains a listing and a brief description of housing legislation passed by the Congress since 1892.

It is interesting to look back over the many housing laws passed by Congress. Would you believe that over 200 housing bills have become law during this period of time?

The first significant housing legislation was passed in the early thirties and, since that time, very few years have gone by without a housing bill becoming law.

Now with all of these laws, most of which liberalized Federal assistance programs, it is natural to ask—Why the crisis of the cities? What went wrong? Were the laws unresponsive to the problem? Was it because of poor administration? Or was the problem caused by other factors over which we had no control?

Obviously there is no simple answer. We were dealing with complex social and physical problems which were developing faster than they were being solved.

Many changes—social, economic and political—have occurred in this nation in the last 30 years which brought about dramatic upheavals in the living patterns of the American people.

Powerful forces that no one could have foreseen moved rapidly to break down relatively sound and stable neighborhoods within most of our cities. Not the least of these was the unprecedented migration of our people from rural to urban and from urban to suburban areas. Our prosperity speeded up the migration process and, in many respects, contributed to the erosion of the cities.

As the affluent citizen moved to the suburbs, he was replaced by newly arrived rural residents who were not equipped, either by training or financially, to maintain the property. The results were rapid decay of the centers of the cities.

In response to these swift changes, I am afraid our Federal assistance came too little and too late.

Our most successful programs under the Federal Home Loan Bank System, the Federal Housing Administration and the Federal National Mortgage Association started out well but later became oriented to the higher income families in suburbia, and we were never able to redirect them to our greatest problem—the cities.

Our other big programs, public housing and urban renewal, were successful in doing the job they were originally intended to do. But they were slow-moving and inflexible and no match for the fast-moving forces of erosion spreading over the inner core of most of our cities.

Our smaller programs, code enforcement, urban planning, workable program, open space, and others, contributed in a small way but were impotent against the rising tide of deterioration.

Now I want to make it clear that I am not criticizing these programs. For the most part, they were successful in helping to provide better housing for the American people. On any kind of absolute scale, U.S. families are



the best housed in the world—and far better housed in 1968 than in 1938.

We have come a long way since President Roosevelt's famous statement in 1937 of one-third of a nation ill-housed. Actually, it was worse than that. According to the 1940 Census, 49 percent of our people were ill-housed. Today, we have no up-to-date figures, but it is probably somewhere between 10 and 15 percent.

However, our problem today is the wide disparity in housing conditions amongst our people and the heavy concentrations of the ill-housed in the inner city. We also have concentration of the poorly housed in our small towns and rural areas.

These are conditions which are serious and are like canker sores threatening to spread and sap the very strength and vitality of our nation. This cannot be tolerated in a nation that has the resources and the capacity to do better.

I must admit that our progress has been disappointing and I believe that part of the frustration comes from the failure of expectations. We did expect great things from the Housing Act of 1949 and we welcomed the 1954 changes to broaden urban renewal to cover rehabilitation and conservation.

Likewise, the 1961 Housing Act, with its 221(d)(3) program, and the Housing Acts of 1964, 1965, and 1966 with their 3 percent interest rate programs, the rent supplement and model cities programs all gave rise to hope and, I suppose, a false sense of security.

I bring up this past history for the purpose of reflecting on what we have done, on mistakes we may have made, and what we have learned from them as we tool up again for an all-out attack on city problems in 1968.

One thing we have learned is the necessity for a balanced program between providing pure shelter and a good living environment. During the 1950s, I believe that too much of our energies went towards slum clearance and city rebuilding with inadequate attention to homebuilding and the provision of shelter for the displaced and the low and moderate income families.

During the past few years, the pendulum has begun to swing back towards a greater concern about housing, for example, the 221(d)(3) program, the rent supplement program, turnkey public housing and the current emphasis on homeownership, credit assistance and the FHA's involvement in high risk insurance.

I have felt that, unless we can find a way of supplying more good housing at reasonable prices, all of our efforts on urban renewal and model cities will be in vain.

I am very pleased that the emphasis of the President's 1968 housing proposals is on more housing for low and moderate income families. I believe that we can meet his 6 million unit housing goal but it may require some readjustment of our Federal spending priorities.

Our more balanced approach towards the housing problems of the cities involves a reconsideration of the urban renewal program.

The slow-moving project technique is not the answer to the current restlessness and demands of our city people. They do not want to wait 10 years or longer for solutions to their problems. This has been recognized in the President's proposal to make urban renewal more flexible through the neighborhood development program.

As I understand it, the city would have considerable flexibility of using Federal funds to develop small pieces of large project areas when ready. By funding these smaller undertakings on a program basis rather than a project basis, a more efficient use would be made of the urban renewal funds and definite progress could be made related to the city's overall plan for city rebuilding.

Closely related to the shortcomings of the urban renewal program has been deficiencies in the housing rehabilitation and code enforcement programs. These programs were authorized in 1954 but, unfortunately, were more theoretical than practical.

The difficulty was basically a false premise that housing improvements could be legislated in a vacuum without regard to related economic and social influences.

I have heard favorable reports on the success of the Federally-assisted concentrated code enforcement program initiated 2 years ago. With proper handling, this can be an effective tool to help hold the line and stop the serious decay before it begins.

Rehabilitation, however, is still missing an important ingredient which, I am hopeful, the 1968 legislation will supply. That is the development of a technique and an industry to carry out rehabilitation on a volume basis.

This is the only way by which rehabilitation can become successful and I believe that all ingredients for such a program are present in the legislative proposals now before us.

I believe that the rehabilitation program will benefit from a provision in the bill which would authorize the establishment of a National Housing Partnership. This is one of the most important features of the 1968 proposal. The purpose, as you know, is to involve the might and resources of American industry to help solve the city problems. Rehabilitation would be a prime challenge under such a program.

There is one item that eludes us all, that is, the cost of housing. It seems to go higher by the month and sometimes I wonder whether our Federal subsidy is being lost down the drain of rising costs.

Every other major production item in our economy has survived rising labor and material costs only through increased production efficiency. These efficiencies have come about primarily as a result of tremendous expenditures for research and development. Housing has never had this opportunity.

However, a major breakthrough occurred last year when the Congress appropriated \$10 million for research and development. This year the budget request is for \$20 million and I am hopeful that this is the beginning of a fully financed intensive effort to conduct the research needed to put the housing program on a more efficient basis.

One of the items of cost is land and here again we need to find ways of housing our people without recourse to exorbitant land costs.

The President is proposing a new program for new community development financed through FHA insurance of land development bonds. According to the Administration, the net effect of this would be to relieve some of the pressure on land in and around existing large cities and hopefully develop well-planned communities with good and reasonably housing for all.

The other element of cost which also has risen to alarming levels is the cost of mortgage credit.

You all are aware of the issue facing the Congress to remove the FHA statutory interest rate ceiling of 6 percent.

I regret that it is necessary to permit higher interest rates on government-insured mortgages, but I believe that under the current circumstances there is no alternative.

The practice of charging discounts as part of FHA financing is a vicious thing. In some of our programs, the section 213 cooperative program, for example, lenders are asking 12 points and, unless FNMA will buy the mortgages, these points must be paid.

Up until recently, I opposed removing the ceiling because I believed that the money managers of our economy would be able to turn back the rising money rates. Theoretically, a well-managed monetary system could control the supply of capital without resort

to complete dependence upon interest rates. This, of course, would mean the flexible use of both monetary and fiscal policies and limited money management controls.

Unfortunately, the way things have worked out over the past several years, the practical facts are that money has become very expensive and, if we want housing, we have no alternatives but to succumb to the facts and pay the going price.

Now this leads me to another feature of our new housing bill—interest rate subsidies.

Last year our Committee approved the principle of interest rate subsidy in two programs—homeownership for lower income families and college housing. This year, the President has come up with another interest subsidy program—rental housing for low and moderate income families. Here he would convert the 221(d)(3) and 202 low interest, Federally supported programs into a privately financed interest subsidy program.

We would then have three basic subsidy programs—the rent supplement program, the interest subsidy program, and the public housing program. The first two would carry market rates of interest with subsidies of varying amounts coming from the Federal government to the lender over the life of the mortgage. The third, public housing, would carry, as you know, the lowest rate because of the tax benefit to the bond holder.

There are many considerations to this new financing device which need to be studied. It has the advantage of flexibility because the subsidy would vary according to the going private interest rate at the time of mortgage origination. But it has the disadvantage of building high interest rates into the system because there would be no incentive for the sponsor to get a lower rate as long as Uncle Sam pays the bill.

Also there is no provision for rewriting the mortgage to a lower rate in case interest rates drop substantially during the 40-year life of the mortgage loan.

There is one more comment that I want to make about our 1968 housing effort.

Some people believe that the only answer to slums and city problems is money. They point the finger at Washington and the Congress and denounce them for failing to appropriate huge sums of money to save our cities.

Those of you who are familiar with my stand on housing know how persistently I work for Federal assistance for housing. However, I disagree strongly with the attitude of some who constantly look to the mote in the eyes of Congress rather than to the beam in their own eyes.

All of the money in the Federal Treasury would not solve the problems of our cities. I believe that these problems will only be solved when our nation and all of us are willing to utilize to the fullest extent possible all of our available resources.

Let me tell you what I mean.

One of America's proudest boasts is the efficiency of its private enterprise system. This efficiency has been developed and perfected generally by big business and industrial complexes with their tremendous concentration of skills, financial resources and managerial talent. The cities of our nation are crying out for help from such businesses and I hope that they respond. This is one resource of our nation that needs to be tapped if we are to solve the problems of the cities.

Another resource related to this is the financial might of our big banks and savings institutions. These groups must reconsider their positions and be prepared to make credit available where needed at rates consistent with the needs of the community.

We have been hearing a great deal about financial institutions stating publicly their willingness to finance city development.



However, the experience to date is disappointing.

Up to now we have not found the answer for this industry to carry its load in the job facing us. I am hopeful that several provisions in our 1968 legislation will help but, in any event, unless this resource is more fully available, I would be pessimistic of our success.

The last resource that I feel is a "must" if we are to succeed in this endeavor is the goodwill and personal interest of the residents of these areas. Self interest is the strongest motivation for action and somehow we have to tap this self interest in the upgrading and rebuilding of the run-down areas.

This reasoning was the basis for the new homeownership program for lower income people in our bill, S. 2700. It is also the basis for our support for the formation of neighborhood nonprofit groups and self-help provisions in the proposed legislation.

Goodwill cannot be bought and it is really not a Federal function to culture it, but it is extremely vital to our success, and I hope that our local people recognize its importance.

There are other resources, of course, which need to be tapped if the Federal dollar is to be effective. The measure of our success will be the extent to which this is done.

Let us hope that when someone speaks to the National Housing Conference thirty years from now there will be no need for apologies on the failure of voluminous housing laws to make our cities pleasant and enjoyable places in which to live.

I have enjoyed talking with you.

Mr. PROXMIRE. Mr. President, the resolutions adopted at the annual convention of the National Housing Conference represent an important contribution from all segments of the housing and urban development fields. I believe it would be helpful for Members of Congress and others to read the resolutions in order to have a better understanding of the problems plaguing our cities and the solutions recommended by this group of outstanding professional and civic leaders.

Mr. President, I ask unanimous consent that the resolutions be printed in the RECORD.

There being no objection, the resolutions were ordered to be printed in the RECORD, as follows:

RESOLUTIONS ADOPTED BY THE MEMBERSHIP OF THE NATIONAL HOUSING CONFERENCE, AT THE ANNUAL BUSINESS MEETING, MARCH 3, 1968, WASHINGTON, D.C.<sup>1</sup>

(By David L. Krooth, chairman, resolutions committee)

#### CHAPTER A. GENERAL STATEMENT OF OBJECTIVES

NHC calls for the establishment of a national goal to eliminate all slums and substandard housing in the next 20 years and to build enough housing to replace them during that period. We must also build sufficient housing to provide for the one-third increase which will occur in our population during that period.

It is not enough to build new housing. In addition, the supply of existing homes must be brought up to a decent living standard. At the same time, there must be an intensification of social programs for the improvement of the quality of American life. While we recognize that the Vietnam con-

flict is a major economic cost, we must also continue to protect our home-fronts. The need for decent, safe and sanitary housing is at the heart of the crisis in our cities. We must take vigorous and immediate action to provide good homes in good neighborhoods in order to avoid the ever-increasing demonstrations and violence in our cities and to respond to the hope and aspirations of the ill-housed.

To initiate a program now at a rate necessary to accomplish our 20-year goals, NHC urges adequate measures to redress the imbalance and restore strength and vigor to residential building. We must bring construction up to the level commensurate with the housing needs of the people and with the requirements of a healthy expanding economy. A decent home in a good neighborhood for every American should become a reality.

Last summer the Nation experienced widespread urban riots. The crisis in our cities has finally replaced the complacency of our affluent society with a demand for action on a scale commensurate with the need. The scope and severity of the housing problems of our ghettos have been increasing constantly. So have the human suffering and disillusionment caused by those problems. In these Resolutions, NHC presents the measures which we deem essential to solve these problems and alleviate the crisis in our cities.

#### CHAPTER B. MESSAGE OF THE PRESIDENT OF THE UNITED STATES ON THE CRISIS IN OUR CITIES

1. On Washington's birthday, President Johnson sent his message to Congress on "The Crisis of the Cities." The message contains the President's most comprehensive and far-reaching recommendations on housing, model cities, and urban renewal. The message conveys a new emphasis and a new sense of urgency concerning the action necessary to meet the crisis in our cities. The message is an inspired call for action by the Congress and by all segments of America. NHC applauds the leadership of the President and supports his recommendations on the measures described below. We strongly urge Congress to take prompt action to adopt the Housing and Urban Development Act of 1968, with the amendment and additions which we are recommending in these Resolutions.

2. We quote some excerpts from the President's message<sup>2</sup> presenting a clear and emphatic description of the crisis in our cities: "For several decades, now, the tide has run against the growth, strength and vitality of our cities. Today, America's cities are in crisis. This clear and urgent warning rises from the decay of decades—and is amplified by the harsh realities of the present. \*\*\*

"We see the results dramatically in the great urban centers where millions live amid decaying buildings—with streets clogged with traffic; with air and water polluted by the soot and waste of industry which finds it much less expensive to move outside the city than to modernize within it; with crime rates rising so rapidly each year that more and more miles of city streets become unsafe after dark; with increasingly inadequate public services and a smaller and smaller tax base from which to raise the funds to improve them.

"If the promise of the American city is to be recaptured—if our cities are to be saved from the blight of obsolescence and despair—we must now firmly set the course that America will travel. There is no time to lose. \*\*\*

"No single statement or message can embrace the solutions to the city's problems. No single program can attack them. No one can say how long it will take, or how much of

our fortune will eventually be committed. For the problems we are dealing with are stubborn, entrenched and slow to yield. \*\*\*

"Today, however, I want to speak of programs designed especially for our cities—of shelter for its citizens and plans for its revitalization. This message, too, is for men and their families. For our lives are profoundly affected by the environment in which we live, the city in which we work and reside, the home in which we relax and renew our strength. \* \* \*

#### I. The major recommendations in the President's message, summarized

1. A total of 26 million new homes and apartments should be built over the next 10 years. Of these, 6 million will be for families of low and moderate incomes at the average rate of 600,000 annually.

2. The proposed Housing and Urban Development Act of 1968 will provide for the first 5 years of this 10-year program. During the initial 5 years, it authorizes the construction and rehabilitation of 2.35 million housing units for those of low and moderate incomes. It contains \$2.34 billion of contract authority for this purpose.

3. Under this legislation, 300,000 housing units will be started with federal assistance during fiscal year 1969. These are identified as being for the poor, the elderly, the handicapped, the displaced and families with moderate incomes.

4. A new program would enable lower income families to buy or repair their own homes. During fiscal 1969, it would authorize 100,000 housing units to be built or repaired. The message indicates that the broad outlines of this program have been set forth in S. 2700, the Sparkman Bill reported by the Senate Banking and Currency Committee last year. There would be private financing of the mortgages at market rates of interest. Families would pay a specified percentage of their income for mortgage payments, with the Government paying the difference in the form of an interest subsidy. The Federal Government would pay all but 1% of the interest on the mortgage, if necessary, based upon the income of the homebuyer. The specified percentage of income for mortgage payments—excluding maintenance, repairs and utility costs of housing—would be 20%.

5. During fiscal year 1969, there would be 40,000 housing units started for moderate income families under a supplement to the 221(d)(3) program which would be added as Section 236 of the National Housing Act. It would involve private capital financing at market interest rates instead of FNMA special assistance purchases of mortgages at below market interest rates. The Government would provide an interest subsidy just as it contemplated under the new home ownership program. In place of the present effective interest rate of 3%, the Government's interest subsidy would make up the difference between the market rate of interest and a rate which could be as low as 1%, depending on the income of the family.

6. The 75,000 public housing units would be started during fiscal 1969, with emphasis on the "turnkey" program.

7. The rent supplement program would be increased by an authorization of 72,500 units. The President contemplates 35,000 units would be started under this program in fiscal 1969. Congress provided only \$10 million to pay rent supplements in fiscal 1968, but the President is requesting \$65 million for fiscal 1969.

8. \$7.5 million would be provided as loans and grants to nonprofit sponsors of housing for needed technical assistance and skills.

9. The model cities program would be greatly increased. It is recommended that \$2.5 billion be made available for supplementary grants over the next 3 years. Of this amount, there would be \$500 million for fiscal 1969 and \$1 billion each for the next 2 fiscal years. Also, the President recommends \$500

<sup>1</sup> Except as it relates to some new legislative proposals recently made by the President of the United States, this report of the Committee on Legislative Policy was approved by the NHC Board of Directors.

<sup>2</sup> For brevity in this and other quotations, paragraphs from the message are sometimes combined and there are omissions which are shown by asterisks. Also, underscoring is deleted.



million as an additional appropriation for fiscal 1969 for urban renewal solely related to the model cities program. Thus, the total authorization for the model cities program would be \$1 billion for fiscal 1969.

10. To give communities sufficient lead time for planning urban renewal projects, the President recommends an appropriation now of \$1.4 billion for fiscal 1970.

11. The secondary market operations of FNMA would be transferred to private ownership. This change is not to affect the Government's special assistance to selected types of mortgages which are not readily accepted in the private market. This Government operation would be handled by an agency known as the Government National Mortgage Association.

12. The Secretary of HUD would be authorized to increase FHA interest rate ceilings to reflect the rates in the financial market. The President has already made a similar recommendation for an increase in the interest rates on home loans to veterans.

13. HUD would be authorized to insure mortgage bonds that are secured by pools of FHA-insured and VA-guaranteed mortgages held by private institutions.

14. The insurance crisis in riot areas would be met by chartering a National Insurance Development Corporation within HUD which would reinsure risks assumed by the insurance industry.

15. The formation of privately-funded partnerships would be authorized so as to enlist private capital and American industry in undertaking housing for low and moderate income families.

16. The authorization for urban mass transportation would be increased from the \$140 million now authorized to \$190 million in fiscal 1969; also, \$230 million is to be authorized for fiscal 1970 so cities can begin now to plan their mass transit programs. A proposed reorganization plan would transfer from HUD to the Department of Transportation the major urban transit grants, loans, and related research functions.

17. An appropriation of \$20 million is requested for urban technology and research.

18. For planning the growth of our urban areas, \$55 million is requested for fiscal 1969, with \$10 million for area-wide incentive grants.

## II. Bills to effectuate President's program

The President has recommended a Housing and Urban Development Act of 1968 to effectuate the foregoing and other proposals. This bill has been introduced by Senator Sparkman as S. 3029 and by Congressman Patman as H.R. 15624, which bill is hereafter referred to as the Housing Bill of 1968. The President also recommended a separate National Insurance Development Corporation Act of 1968 to implement his proposals on meeting the insurance crisis of our cities. The latter bill has been introduced by Senator Sparkman as S. 3028 and by Congressman Patman as H.R. 15625, which bill is hereafter referred to as the Insurance Development Bill of 1968.

## CHAPTER C. NHC GOALS TO ACHIEVE HOUSING WE NEED

1. While the President recommends an average national goal of 2,600,000 new housing units annually during the next ten years, NHC urges that the annual goal should also include rehabilitated housing. Accordingly, NHC recommends 3,000,000 units annually of new and rehabilitated housing units. NHC agrees with the President that 2,000,000 units should be built annually for those above the low and moderate income groups who do not need federal assistance. Instead of 600,000 units annually for low and moderate income housing, NHC recommends a goal of 1,000,000 units annually for these income groups. This would include new and rehabilitated housing.

2. Legislation should be adopted requiring the Secretary of HUD to report to Congress each year on:

a. The volume of housing put under contract and the volume completed for the low and moderate income groups during the preceding year through new construction and rehabilitation.

b. His recommendations of the actions necessary in the coming year to achieve an annual goal of 1,000,000 new and rehabilitated units for these income groups.

In this manner, Congress would be informed each year as to the deficit in housing production for these groups and the recommendations of the Secretary concerning the measures necessary to eliminate this deficit and to meet the goal during the coming year. The Secretary should also report on the compliance with the new legislative requirement that residential urban renewal areas include sufficient standard housing to result in marked progress in serving the poor or disadvantaged people living in slum and blighted areas. NHC endorses the provisions of the Reuss-Ashley-Moorhead Bill H.R. 12142, which contain the substance of this and other past recommendations of NHC, except that we now recommend a revision of the annual housing goal to accord with the present need for 1,000,000 new and rehabilitated dwellings for low and moderate income groups.

## CHAPTER D. NECESSARY AUTHORIZATIONS TO BEGIN ACHIEVING OUR HOUSING GOALS AND ALLEVIATING THE CRISIS IN OUR CITIES

We need the following authorizations and programs to initiate adequate action toward meeting our 20-year goals.

### I. Urban renewal

NHC recommends an annual rate of \$3 billion for urban renewal grants for a 5-year period. This increase takes into account:

1. The increased need for urban renewal funds as part of the model cities program.

2. The expansion of the rehabilitation program which requires write-downs in value, in order to permit successful rehabilitation at low enough carrying charges.

3. The continuing importance of urban renewal to permit central business districts to achieve their great potential for increased employment opportunities.

4. The long accumulated backlog of unfilled requests.

5. The anticipated applications for new urban renewal programs. An increased urban renewal authorization will have a limited budgetary impact during the next several years. Because of the long lead time for urban renewal projects, it would take almost four years before actual appropriations would be required for the proposed increased rate of urban renewal grants. NHC supports the President's recommendation to give communities more lead time for planning urban renewal programs by making an appropriation of \$1.4 billion now for fiscal 1970. We suggest that this same principle should be applied to all future urban renewal and other authorizations recommended in these Resolutions.

### II. Model cities

NHC recommends supplemental grants for model cities of \$1 billion a year for a 5-year period. We also recommend that \$50 million in model-city planning funds be made available annually for a 5-year period. Many cities that applied for model cities grants could not be approved because of lack of funds. NHC urges that the model cities program be made available to all qualified cities which apply; and that additional funds be made available to the cities which received inadequate grants.

### III. Public housing

NHC recommends an increase in public housing to an average rate of 200,000 units annually for a 5-year period. Initially, the annual rate should be 150,000 units, but it should be accelerated each year until it reaches 250,000 units in the fourth and fifth years. This authorization should include all

forms of public housing programs, including the conventional type, turnkey and leasing.

### IV. Rent supplements

NHC recommends a rent supplement program at an average annual rate of 100,000 units for a 5-year period. Initially, the annual rate should be 75,000 units, but it should be accelerated each year until it reaches 125,000 units in the fourth and fifth years. We again urge that appropriation acts authorize rent supplement contracts for the full amounts provided in the basic housing legislation.

### V. Rental and cooperative housing for moderate income families under 221(d)(3)

NHC recommends that the 221(d)(3) program and the new supplement to it through interest subsidies be increased to an average annual rate of 300,000 units for a 5-year period. Initially, the annual rate should be 225,000 units, but it should be accelerated each year until it reaches 375,000 units in the fourth and fifth years. This program provides rental and cooperative housing for those whose incomes are above the maximum set for admission to public housing, but below the amount needed to obtain standard private housing financed without federal assistance. The President recommends that the new supplement to the 221(d)(3) program provide for private mortgage financing at a market interest rate, with an interest subsidy under which the Government would make up the difference between the market rate of interest and a minimum of 1 percent.

### VI. Home ownership for low- and moderate-income families

NHC endorses the proposal in the President's message to help low income families achieve home ownership. The Government would pay all but a minimum of 1% interest on the privately-financed mortgage, depending upon the income of the homebuyer. Under the new home ownership program, NHC recommends a 5-year program at an average annual rate of 200,000 units for a 5-year period. Initially the annual rate should be 150,000 units but it should be accelerated each year until it reaches 250,000 units in the fourth and fifth years.

### VII. Housing for the elderly

The Section 202 program and the new supplement to it through interest subsidies under the Housing Bill of 1968 should provide an average of 30,000 housing units for the elderly each year for the next 5 years.

### VIII. College housing

NHC recommends a 5-year authorization of \$1 billion annually of loans at below market interest rates for the college housing program.

### IX. Mass transit grants

NHC recommends additional mass transit grants of \$750 million per year for a 5-year period.

### X. Water, sewer, and community facilities and improvements

NHC recommends a 5-year authorization of \$2 billion annually for grants to local governments for basic water and sewer facilities and other types of public improvements and community facilities. Of the \$2 billion, \$250 million should be available annually for the open space program.

### XI. FNMA special assistance

NHC recommends that the revolving fund for FNMA special assistance be increased by \$3 billion in order to implement and carry out the programs recommended in these resolutions. We further urge that the full balance of the FNMA special assistance funds be made available and utilized for the purchase of FHA-insured mortgages on cooperative housing under Section 213, housing in urban renewal areas under Section 220, non-profit housing for the elderly and other programs eligible for special assistance.



### *XII. Budget impact of housing goals*

1. The annual budget impact of the programs to achieve the foregoing housing goals will be relatively modest during the proposed 5-year period. Too many people feel that the burden on the Federal Budget is represented by the total production cost of the housing involved. Yet, on the housing program for the low and moderate income groups, there is a relatively small cost each year in relation to the large dollar volume of housing produced and the large number of families served. During each year under the contracts on the housing covered by the 5-year program proposed by the President, the total annual cost would be only \$2.34 billion after all that housing is completed and occupied. This is the amount of contract authority recommended by the President and included in the Housing Bill of 1968. It covers the new home ownership program, the new supplement to the 221(d)(3) program, the rent supplement program, and the low-rent public housing program. NHC has recommended increases in these housing programs above the levels recommended by the President and included in the Housing Bill of 1968.

2. The \$2.34 billion relates solely to the housing programs for the proposed 5-year period. Additional appropriations are required for the other programs including: model cities; urban renewal; water, sewer and community facilities; and mass transit. These housing and other programs are necessary to meet the crisis of the cities and they require expenditures in the amounts which NHC is recommending. They should be given the money they need to do the job that must be done. The amount of these federal appropriations and authorizations represents a proper allocation of our national resources to assure that the human needs of our people are met—which includes their need for a good home in a good neighborhood. By providing these authorizations, the Nation will be giving these programs the high priority which they deserve in the Budget.

3. Increases in all of these programs will stimulate economic activity and result in increased federal tax payments. Consequently, the Treasury will receive added income which will substantially offset the federal expenditures for housing and urban assistance.

### *XIII. Initial authorizations to be accelerated*

In the initial year, the foregoing recommended authorizations for various housing programs do not total the 1-million unit goal of housing for low income and moderate income families. We recognize it will take time to build up the rate of annual production to this goal. Accordingly, the proposed authorizations start at 600,000 units in the first year and accelerate each year thereafter until they reach 1 million units in the fourth and fifth years for those of lower and moderate incomes. This allows time to increase the capacity of private and public agencies, labor and industry to achieve a production rate which would fulfill our goals. We are pleased that the housing programs in the Housing Bill of 1968 provide for annual authorizations at an accelerating rate in succeeding years during the initial 5-year period.

### *XIV. New programs as supplements to existing programs*

1. While NHC supports new programs to meet urgent needs, NHC reaffirms its continuing support of existing programs which have proven their success. This includes the conventional public housing program and the program under Section 221(d)(3) which the President recommends should be expanded under a different financing formula.

2. New programs should be recognized as supplements. They are not substitutes for the existing programs which have borne the brunt of the effort to meet the housing

needs of the disadvantaged. We reject the implication that existing programs—such as conventional public housing—have allegedly failed and that we must turn to new ones because of those failures. As described below, these programs have suffered from inadequate authorizations of funds for necessary social services, maintenance and renovation—conditions which are now being remedied partially. We are adding new programs to expand the volume of housing and broaden the participation in meeting urgent needs.

It takes time to bring new programs into effective operation. Existing programs are already functioning. They can and should be expanded so that they can continue to do the ever-increasing job that must be done.

### *CHAPTER E. MODEL CITIES AND METROPOLITAN PLANNING*

#### *1. Comprehensive and concentrated attack on neighborhood decay*

NHC reaffirms its endorsement of the model cities program to launch massive local programs for the upgrading of entire neighborhoods through the concentrated and coordinated use of all available federal aids and local private and governmental resources, including the supplementary federal grants for such model cities. We urge acceleration in authorizing disbursement and release of funds under the present program. In his message, the President stated:

"The Model Cities program gave us the tools to carry forward the nation's first comprehensive concentrated attack on neighborhood decay. It was developed by some of the country's foremost planners, industrialists, and urban experts. The program is simple in outline—to encourage the city to develop and carry out a total strategy to meet the human and physical problems left in the rubble of a neighborhood's decay. That strategy, which Model Cities spurs through special grants, is to bring to a dying area health care services, as well as houses; better schools and education, as well as repaved streets and improved mass transit; opportunities for work, as well as open space for recreation."

We are pleased to note that the Housing Bill of 1968 provides for an increased authorization of \$1 billion for each of the fiscal years 1970 and 1971 for supplemental grants. Of these funds, any amount authorized in any fiscal year, but not appropriated, may be appropriated for any succeeding fiscal year commencing prior to July 1, 1971. NHC recommends a 5-year program of supplemental grants for the model cities program at the rate of \$1 billion a year. We also recommend that at least \$50 million in model cities planning funds be made available annually for a 5-year period.

#### *II. Federal and local coordination*

To achieve the objectives of this program, full coordination is required between all of the participating constituents within HUD and all of the other participating agencies of the federal and local government. Each of them must effectively use all of its powers and devotion in doing its share of the total job.

#### *III. Increased authorization to enable all qualified cities to participate*

NHC seriously questions the policy which discriminates against cities of equal capacities and equal commitment to accomplish the laudable objectives of the law. There are many cities which can meet the requirements of the model cities program and which are vitally interested in availing themselves of this imaginative approach. Yet, these cities are denied participation because the program was to be limited to 60 to 70 cities as a demonstration—actually the initial group included 63 cities. NHC urges that the model cities program be made available to all qualified cities which apply. As

recommended above, adequate funds should be authorized for the model cities program to enable participation by all qualified cities; also, to provide the additional funds needed by the cities which are now participating in the model cities program.

#### *IV. Expansion of other programs necessary for goals of model cities*

The model cities program cannot achieve its goals and provide necessary housing:

1. Unless urban renewal activities are greatly expanded.

2. Unless adequate grant funds are available for water, sewer, and neighborhood facilities, and for open-space and urban beautification.

3. Unless there is a sufficient increase in the supply of adequate low and moderate income housing in the model cities. To avoid serious relocation problems, new housing and related community facilities should be developed extensively on vacant land or other sites not involving substantial residential displacement. Such housing should not be limited to what will be developed in the model neighborhood area or the city itself.

In order to meet the foregoing needs, increased authorizations and programs are necessary as recommended in these Resolutions.

### *V. Metropolitan planning*

NHC endorses the President's recommendation that \$55 million be appropriated for fiscal 1969 as supplemental grants for the orderly growth of our urban areas. These are needed to achieve more effective coordinated metropolitan area planning and program development. In addition, NHC supports the President's request for a \$10 million authorization for a program of area-wide incentive grants in fiscal 1969. These grants would stimulate the development of sound plans and programs to accommodate the vast expansion in population which will occur in these areas over the coming decades.

At the same time, we again point out that the requirements for public facilities of all types—which will be needed in support of the impending sharp expansion in urban population—will greatly exceed present funding of the federally-aided programs. Substantial increases in these authorizations are essential in view of the severe limitations on local governmental financial resources.

### *CHAPTER F. URBAN RENEWAL PROGRAM*

#### *1. Major importance of urban renewal*

NHC agrees with the President's statement concerning the major importance of the urban renewal program:

"Urban Renewal is the weapon that deals primarily with the physical side of removing blight. An essential component of the Model Cities Program, it is a major instrument of reform in its own right."

"Last year, nearly 900 American communities were reclaiming inner city land under urban renewal."

#### *II. Advance appropriations to give cities more lead time*

As previously stated, we support the President's recommendation for appropriations now of the funds for fiscal 1970 in order to give communities more lead time for planning their urban renewal programs. We recommend that this also be done for future fiscal years. Further, to effectuate the stated objective of the message to overtake the decay of our cities and make urban renewal more immediately responsive to urban needs, NHC recommends an annual rate of \$3 billion for urban renewal grants for a 5-year period instead of \$1.4 billion recommended by the President for only fiscal 1970.

#### *III. New neighborhood development program*

The President's message further recommends legislation which would permit detailed planning and execution to proceed segment by segment in an urban renewal area. Under existing law, neither demolition nor rehabilitation can begin on any portion of



the renewal area until the renewal process is ready to begin throughout the entire area. NHC supports the new proposal which would enable cities to start work quickly on the most pressing problems.

#### IV. Amendments recommended to urban renewal laws

NHC also recommends amendments to the urban renewal laws, as described below:

1. On capital grants for urban renewal, code enforcement, and other comparable programs, there should be an increase in the federal grant to  $\frac{3}{4}$  from the present  $\frac{2}{3}$  which is paid to larger cities. The  $\frac{3}{4}$  grants are now made only to smaller cities, but they are equally needed by larger cities. Further, where the community elects to finance survey and planning costs at its own expense, the project capital grants should be increased to  $\frac{5}{6}$  from  $\frac{3}{4}$ . Pooling of all such grants shall be permitted for all urban renewal projects in the city.

2. A successful rehabilitation program must include a large expansion of the acquisition of residential properties and their sale for rehabilitation purposes. Adequate funds should be made available for grants to write-down the resale price, subject to requirement that the properties be rehabilitated so as to provide housing which low and moderate income families can afford. Further, there are now restrictions on the participation of local public agencies in the purchase and sale or lease of properties suitable for rehabilitation; these should be removed.

3. Loan and grant contracts should be authorized for the purpose of assisting the rehabilitation of scattered properties in residential neighborhoods designated for conservation, rehabilitation, or intensive code enforcement by an approved community renewal program. The cost of any new public improvements serving the rehabilitation properties should be recognized for appropriate grant-in-aid credits.

4. Local public agencies should be authorized to make sales of industrial and commercial land for later development to non-profit industrial development corporations or properly constituted public bodies on the same basis as is now authorized under economic development laws.

5. There should be a broadening of the existing statutory provisions for recognition of real property tax losses by the locality in an urban renewal area as a local grant-in-aid credit. Such losses should be computed from the date of acquisition of the property to the completion of the redevelopment in accordance with the urban renewal plan for the project.

6. Where there is a project in execution, tax-abatement—provided by the municipality to a private nonprofit or cooperative housing development for the purpose of achieving lower rents and facilitating relocation—should count as a noncash local grant-in-aid to the project.

7. Title I should be amended to provide that gross project costs shall include the fair market value and demolition cost of any substandard building which the local public agency determines should be eliminated, irrespective of whether the local public agency acquires the fee to the property on which such building is located.

8. All renewal programs should include adequate programs—by public agencies, including local housing authorities—for meeting the needs of low-income and elderly families. Where community renewal programs do not contain adequate programs for low-income or elderly families, funds should be made available for necessary studies to formulate such programs, irrespective of the size of the city.

9. NHC supports the objectives of the special urban renewal provisions for central business districts which were introduced in the 88th Congress by Senator Clark and the then Congressman Rains. These would permit

waiver of residential requirements in renewing central business districts; recognize that employment, commercial, industrial, and cultural functions of central business districts are of vital importance to community growth and revitalization; and require HUD to accept 100% of site improvements and supporting facilities as part of the gross project cost and as a local grant-in-aid.

10. NHC supports the amendments in the Housing Bill of 1968 which allows urban renewal project funds to be used for the restoration of acquired properties of historic or architectural value.

11. NHC favors an amendment to the urban renewal law allowing any public facility to be eligible for non-cash grant-in-aid credit if the development of the facility was occasioned by the urban renewal program and if it is located in a community having more than one urban renewal project; such communities would also have a workable program and a community renewal program.

12. NHC recommends that there should be no limit to the amount of grants to a particular urban renewal demonstration project, under Section 314, so the Federal Government in special cases could pay up to 100% of the cost of the demonstration program.

13. NHC recommends that non-cash grant-in-aid credits be extended to cover air rights involved in the development costs for 221(d)(3) projects for low and moderate income families.

14. NHC recommends that 75% grants under the urban renewal program should be available for the reclamation of otherwise unbuildable land which is located within metropolitan areas. Often there are large available areas of land which are not suitable for building because of problems which can be corrected by appropriate expenditures of public funds, such as the draining of swamps and meadowlands. Such land constitutes a below-ground slum which can be eliminated to make land available which would be suitable for development of residential and other purposes. This will provide convenient sites for housing and other community facilities needed by those now living within the overcrowded areas of central cities.

15. Where state or local law requires abutting property owners to pay a portion of the cost of street repairs, Federal urban renewal grants should be made to cover the owner's share when there is a showing of need.

#### CHAPTER G. HOUSING PROGRAMS TO MEET NEEDS DURING NEXT 20 YEARS

##### 1. Low-rent public housing

1. The President's message recommends the start of 75,000 public housing units during fiscal 1969. The message then states that: "The job is to turn authorization to action—by accelerating the processing of applications, by moving quickly from commitment to construction, and by involving private industry fully under the new Turnkey concept."

NHC agrees that acceleration is urgently needed in processing applications and moving quickly to start construction. Such acceleration should include conventional public housing as well as turnkey public housing. For the public housing program, the Housing Bill of 1968 provides for increases in the amount of \$100 million annually prior to July 1, 1969, which amount may be increased by \$150 million on July 1 in each of the years 1969 and 1970 and by \$200 million on July 1 in each of the years 1971 and 1972. There is a need to increase the authorizations for public housing to an average annual rate of 200,000 units for a 5-year period. Initially, the annual rate should be 150,000 units, but it should be accelerated each year until it reaches 250,000 units in the fourth and fifth years. This should include public housing of the conventional type, along with turnkey housing and leasing programs. When housing authorities can

develop conventional public housing projects promptly and meet other appropriate requirements applicable to the projects, they should receive commitments and funds for such projects and not be required to use the turnkey method.

2. We endorse the following provisions in the Housing Bill of 1968:

a. The increase in the authorization for annual contribution contracts for the low rent public housing program by \$100 million on the date of enactment, and by \$150 million on July 1 in each of the years 1969 and 1970, and by \$200 million on July 1 in each of the years 1971 and 1972. NHC recommends increases in these proposed authorizations to achieve public housing at an average rate of 200,000 units annually for a 5-year period.

b. The revision of the existing ceiling on HUD borrowing from the Treasury for low-rent housing loans. The Bill would provide that the \$1.5 billion ceiling would apply only to federal loans which the Secretary estimates will actually be disbursed, and not to federal commitments which are not expected to result in actual outlays.

3. We should perfect the existing housing programs in light of our experience. In the conventional public housing program, this requires the following new federal aids to meet conditions that have been too long neglected:

a. Federal assistance for improved tenant services. We are pleased to note the President's recommendation of \$20 million program for this purpose. The message states: "With these funds, we can enable those who live in public housing to take better advantage of job, health and educational opportunities. We can help and encourage them to become involved, personally and responsibly, in the day-to-day problems of the projects where they live."

This \$20 million authorization in the Housing Bill of 1968 should provide social and community services that are urgently needed for families living in public housing; also, training of public housing residents for employment in the project. Local housing authorities should be authorized to contract with social service agencies to provide such services.

b. Additional authorizations of federal annual contributions to enable the conservation and preservation of existing public housing projects through their renovation and upgrading.

c. Additional annual contributions should be provided to meet all costs except those which low income families can afford as rentals. This should include not only the debt service, but also adequate maintenance, conservation and operation of public housing, and the additional services described above. The present needs and costs are higher than those which prevailed when the original annual contribution contracts were signed. If the annual contributions are not raised, local housing authorities would be forced to increase rents and income limits, which would jeopardize the continued achievement of the purpose of this program to serve low income families; also, they would defer necessary maintenance and repairs, which would jeopardize the physical condition and long-term life of the property.

The present annual contributions were computed to assure their adequacy to meet debt service, but without provision for the increased later costs of maintenance and operation; or the need for the additional services described above. There has been criticism of conventional public housing because of its failure to provide social services and because of its lack of conservation through renovation. Correction of these conditions should remove the cause of this criticism and produce a better living environment in public housing.

4. NHC recommends amendment of the United States Housing Act to emphasize the



importance of good public housing design to the low-income family and to the local community. We agree with the President that: "Our concern must be not only with the quantity of new public housing, but with its quality as well." We are pleased to note that at the President's direction, the Secretary of HUD has been working with leading architects and planners to achieve higher design standards for public housing developments. New projects can be pleasant places to live, meeting the needs of human beings for comfort and convenience.

5. While we believe the proposal for private management of turnkey housing is of dubious merit, we favor trying this new approach to determine whether it will produce benefits or improve techniques in the management of public housing and the achievement of the program's social objectives. The proposal should be recognized as a pilot and experimental program to be determined by local housing authorities. Meanwhile, NHC reaffirms the wisdom of continuing the present tested management operations through local authorities. They have long experience in handling the operations and problems and social aspects of public housing management. Moreover, they are clearly motivated by the public interest in managing public housing to serve low income families.

6. NHC is impressed by the early evidence of widespread community acceptance of the new provision in the 1965 Act authorizing the use of suitable private housing for low income families through lease or other arrangements between local authorities and the owners and operators of private housing. NHC recommends federal aid to housing authorities which enter into agreements with private developers for the public housing use of portions of new private housing developments.

7. We again commend HUD for its flexibility in using existing legislative tools to develop a program which will enable low income families to live in the same projects as families of moderate incomes assisted under Section 221(d)(3) instead of isolating families of each income group. Under this program, the low income family can continue in occupancy when its income increases, but would no longer receive public housing subsidies; instead, it would get the benefit of a below market interest rate. When the family becomes self-supporting, it would pay the full market rate of interest.

8. Federal and state laws should be amended to enable local authorities to rent available private housing outside central cities for low-rent housing purposes.

9. NHC recommends the following perfecting amendments to the basic low-rent public housing legislation:

a. Authorization to HUD to make federal capital grants to cover the full amount of land and site development costs in excess of the reuse value of the improved land for new low-rent public housing projects which are not located in urban renewal areas.

b. Revision of the annual subsidy formula to permit annual contributions equal to full debt service on permanent financing, with residual receipts being used either for project rehabilitation and improvement or accelerated amortization. At any time after completion of a public housing project, provision should be made for re-opening development cost, if necessary:

(1) to make additional loans for needed rehabilitation or improvements, with annual contributions correspondingly increased; or

(2) to make grants for such other purposes as may be necessary.

c. While the present law provides for disposition of public housing to residents, it covers only detached or semi-detached construction. We endorse the proposed amendment in the Housing Bill of 1968 which

would enable disposition of any public housing property which is sufficiently separable for ownership by the residents. In addition, we recommend an amendment which would authorize sale of an entire project to a cooperative with a membership which would be limited to those who would reside in the project. In broadening the authorization for disposition of public housing, the amendment should require a finding that such disposition would not adversely affect the low rent program of the public housing agency involved. The proposed NHC amendment would make it possible for residents of public housing to achieve cooperative home ownership and to produce better and more stable communities. Instead of requiring over-income families to move out of public housing, they should be given the opportunity to acquire ownership by paying a higher monthly charge which they can afford, based upon a percentage of their increased earnings. This amendment will give public housing tenants an incentive to better themselves. As to public-housing tenants whose incomes have not increased, they can either be:

(1) relocated in other public housing projects, with their moving expenses paid, or

(2) permitted to remain in the project as public-housing tenants receiving the benefit of annual contributions so long as they qualify as low-income families. When vacancies occur, they would be filled with over-income tenants from other public housing projects who desire to become cooperative homeowners.

d. Increase the present statutory limits on construction costs per rental room from \$2,500 to \$3,000 and increase the additional allowance for high-cost areas from \$250 to \$500; and provide that the only monetary limitation to be applied in project development shall be the statutory room cost. In other words, administrative limitations should not be imposed as is now the case. This would enable local authorities to meet the great needs for large housing units to serve large families.

e. Repeal the provision in the U.S. Housing Act of 1937, as amended, which requires a 20% gap between the lowest private and the upper public-housing limits for admission. Also, permit low-income individuals—in addition to low-income families—to be eligible for occupancy in low rent public housing.

f. Necessary changes in the requirements for participation in low-rent public housing to enable a municipality to construct such housing for those of low-income who will later migrate to the municipality for employment in industries located there or in service activities. This would include new towns or municipalities outside of central cities. It would facilitate dispersal of population and reduction of the concentration of low-income families in central cities.

g. In new and existing low-rent housing projects, there is a great opportunity to provide social impetus and vitality not only to those living in the development, but also the neighborhood. The need is both for physical community facilities on a large scale and for skilled and dedicated personnel to operate them imaginatively. A program was authorized by the 1965 Act for  $\frac{2}{3}$  federal grants to assist communities in developing neighborhood facilities of all types, with preference to those in neighborhoods involving the anti-poverty program. While this affords a new opportunity to obtain needed physical facilities, the law should be amended to provide for necessary social and counselling services in low-rent housing projects and neighborhoods. Where funds or services cannot otherwise be obtained from other agencies, local authorities should be permitted to use project funds for this purpose. Adequate funds for social and counselling services should be included in the project budget.

h. Neither the new leasing program for use of privately-owned housing for public housing purposes, nor the rent-supplement program for those of public-housing incomes require a local financial contribution in the form of exemption from local real estate taxes. Conventional public housing projects are, therefore, in a disadvantageous position from the standpoint of local governmental acceptance, since they require tax exemption with a payment of 10% of shelter rents in lieu of taxes. To bring such public housing projects in line with the tax payments on these other programs, NHC recommends that local housing authorities be permitted to make payments in lieu of taxes equal to full taxes. Federal annual contributions should be increased accordingly to cover this payment of a full tax equivalent.

i. The special subsidy for housing elderly and displaced persons is now available only in the event of a deficit operation. NHC recommends that this subsidy be made available generally in an amount equal to the difference between the rent paid per month and the average cost of operation.

j. NHC recommends that the documentation required to qualify initially for the leasing program eliminate the unnecessary requirement for development of detailed hypothetical data as to the extent of the potential supply of units.

k. In the 1965 Act there was a repeal as to future projects of Section 10(c) of the United States Housing Act of 1937, which requires that annual contributions to a public housing agency be reduced by any amounts by which the receipts of the agency exceed its expenditures. As a matter of fairness and to meet the needs of public housing agencies, NHC recommends that this repeal should also apply to public housing projects existing at the time of the 1965 Act, as well as future projects.

## II. The rent supplement program

1. After pointing out that the rent supplement program holds so much promise for the poor families of America, the President's message states:

"Rent Supplements is a free-enterprise program, strongly endorsed by the home building, real estate, and insurance industries which have responded enthusiastically to this new approach to low-income housing. It contains incentives for escape from poverty, while creating modest, but decent shelter for those in poverty. If we are to match our concern for the cities with our commitments, this program must be adequately funded."

2. The President recommended \$65 million in authority for the rent supplement program for fiscal 1969. He pointed out that last year the rent supplement program had been underfunded by the Congress which had granted only \$10 million of the \$40 million requested in annual payment authority. The Housing Bill of 1968 would make available an additional \$40 million in contract authority for rent supplement payments in fiscal year 1970, and an additional \$100 million in each of the fiscal years 1971, 1972 and 1973. NHC recommends increases in these proposed authorizations for the rent supplement program to achieve an average annual rate of 100,000 units for a 5-year period. Initially, the annual rate should be 75,000 units, but it should be accelerated each year until it reaches 125,000 units in the fourth and fifth years.

3. Construction cost limitations have been established in the rent supplement program which are unworkable in many high cost cities that face the greatest need for this program. NHC recommends that there be sufficient increases in these cost limitations to make it possible to build rent supplement projects within these cities. Construction costs have been going up without a corresponding increase in the construction cost limitations of the rent supplement program. Only through an increase in construction cost



allowances can the rent supplement program fulfill its purpose of serving low-income families in these cities, near the places of employment and public transportation.

4. Counselling and social services should be made available to residents of housing aided by rent supplements. Such services should be allowable housing costs in computing rent supplement payments.

5. In the basic rent supplement program, which involves loans at a market rate of interest and which is designed to serve families who are eligible for public housing, there is a grave question whether these projects will achieve the objective of successful integration of different income groups. Only 10% of the rent supplement program is authorized for use in the program involving loans at a below market interest rate. This part of the program will successfully achieve integration of different income groups in a housing development. NHC urges an amendment to the rent supplement program so that at least one-half of the total authorization is made available for projects: (1) which are financed at below market interest rates—including housing for the elderly; or (2) which combine in one project rent supplement programs for low income families and interest subsidy programs for moderate income families.

6. The present law limits rent supplements to lower income families who are living in substandard housing. NHC recommends that the law be amended to include overcrowded conditions as a substandard housing condition; and to permit any low-income family to be eligible for housing aided by rent supplements so long as the family qualifies as to low income, even though the family does not live in substandard housing. This would meet the needs of newly-formed families and those who are spending too much of their low income for housing.

7. The rent supplement legislation imposes too great a burden on low-income families by requiring them to pay rents equal to 25% of their annual income since rent supplements will pay only the difference between such a rental payment and the fair market rental. To eliminate this hardship, NHC recommends that this rent-paying requirement be reduced to 20% of family income, which would be consistent with the long-established policies under other federally-aided programs.

8. The standards under the rent supplement program should be upgraded to produce better-designed housing which will more adequately meet the needs of families, with attention to their comfort and convenience. The limit of one-bathroom-per-dwelling unit should be removed, as this denies adequate sanitary facilities for larger families.

9. There should be a repeal of the requirement for a workable program of local government approval before rent supplements can be used in a locality.

10. Rent supplements should be made available for moderate-income projects developed under state-aided programs, which provide below market financing to nonprofit, cooperative, or limited dividend organizations.

11. NHC urges the establishment of an additional rent supplement program for nonprofit mortgagors who own buildings which are not financed under Section 221(d)(3). When the buildings meet code standards, rent supplements should be available so that the housing can serve low-income families. Present rent supplement requirements for rehabilitation are often unworkable because they cost too much. Rehabilitation to meet code requirements should be acceptable. This will stimulate rehabilitation and provide standard housing quickly for many more low and moderate income families.

12. Local housing authorities should be eligible as sponsors under the rent supplement program, Section 221(d)(3) below market

interest rate program or interest subsidy program, and elderly housing program under Section 202.

### III. Housing for families receiving public assistance and others with very low incomes—also, code enforcement

1. Four million American families are receiving all or part of their income from public assistance programs. Many of these families are ill-housed, primarily because welfare grants, in most cities are inadequate to pay the cost of standard housing. NHC urges the enactment of legislation patterned after that previously introduced by Representative Widnall which would establish and enforce minimum standards for housing occupied by recipients of public assistance. In addition, such legislation should require that public-assistance shelter allowances cover the full charge for decent housing and that the Federal Government bear the entire additional cost above the present inadequate allowances for shelter.

2. NHC recommends Federal grants to housing authorities or other public agencies—as described in Chapter H—to bring housing up to minimum code standards and to make it available for families of low income, including those who are receiving public assistance.

3. NHC recommends that the Federal grants for code enforcement should equal 75%, irrespective of the size of the city. At present the larger cities only receive a two-thirds grant, while cities under 50,000 receive a 75% grant. The larger cities need the 75% grant just as much as the smaller cities. NHC urges an acceleration of concentrated code enforcement in deteriorating areas, together with necessary public improvements to arrest their decline. The costs of code enforcement programs—both for determining Federal grants and local grant-in-aid credits—should include all costs incurred for repair or installation of streets, sidewalks, street lighting, trees, parks, open areas, recreational facilities, and other necessary improvements.

### IV. Housing for those of moderate incomes

1. The President's message states:

"A program to provide housing for families with incomes too high to qualify for public housing, but too low to afford standard housing began in 1961. This is a below market interest rate program known as '221(d)(3)'. It serves families earning between \$4,000 and \$8,000 a year. After 5 years of testing, we are ready now to move this program into full production. But first we must improve it.

"I recommend legislation to strengthen the financial tools under which the moderate income rental housing program operates.

"Under this legislation, capital financing would be shifted to the private sector, and the Government would increase its support by providing assistance to reduce rents to levels moderate income families can afford. Now the Government provides financial support for loans at 3 percent interest. Under this new arrangement, the private sector would make loans at market rates. The Government would make up the difference between the market rate of interest and 1 percent. The loans would remain in private hands."

2. As a supplement to the 221(d)(3) program, the Housing Bill of 1968 adds Section 236 which authorizes contracts for interest assistance payments—subject to approval in appropriation acts—in the amount of \$75 million annually prior to July 1, 1969, which amount may be increased by \$100 million on July 1, 1969, by \$125 million on July 1, 1970, by \$150 million on July 1, 1971, and by \$150 million on July 1, 1972. A tremendous unmet need exists for housing to serve moderate income families who cannot afford standard private housing without federal assistance. There is a long accumulated backlog of unfilled requests and anticipated

applications for additional projects to serve this income group. NHC recommends an increase in the authorization for the 221(d)(3) program and the new supplement to it through interest subsidies, which would provide an average of 300,000 housing units annually for a 5-year period. Initially, the annual rate should be 225,000 units, but it should be accelerated each year until it reaches 375,000 units in the fourth and fifth years.

3. NHC opposes the proposal to increase from 20% to 25% the percentage of family income that must be paid for total housing expenses—including mortgage payments, real estate taxes, utilities, heat, and the estimated cost of maintenance and repair. The proposed interest subsidy would pay only the excess of total housing expense above the amount which represents 25% of family income. During 1966, the statistics show that a median of 19.6% of income was spent for total housing expense under the FHA 203 program. NHC recommends that the present 20% requirement under Section 221(d)(3) be retained in the interest subsidy programs under 236 so that families will not be required to spend a disproportionate amount of their earnings for housing. This is necessary to assure that families will have enough income remaining to pay for food, clothing and other requirements for a decent standard of living.

4. In the 300,000 housing starts for low and moderate income groups proposed by the President's message for fiscal 1969, a total of 38,000 units are expected under the existing 221(d)(3) program at below market interest rates. The funds for these starts under 221(d)(3) are already authorized and available. Accordingly, the Housing Bill of 1968 does not amend the provisions of Section 221(d)(3) as to the continuing below market interest rate program, but supplements it with a new Section 236 authorizing interest subsidies. Under 236, there will be private financing at market rates and interest subsidies to reduce the interest paid by the family to a minimum of 1%, depending upon its income. Besides the 221(d)(3) housing which is to be financed with the FNMA funds now available, NHC recommends that FNMA special assistance funds should be made available and used for 221(d)(3) housing under the below market interest rate program at any time that alternative financing with interest subsidies is not available under the proposed new Section 236.

5. NHC also recommends that Section 221(d)(3) and the proposed Section 236 be amended to remove the 10% limit on the number of units in a project which may be occupied by moderate-income individuals as distinguished from families. All moderate-income individuals would then be treated in the same manner as those who are elderly or handicapped.

6. The President recommends legislation to provide needed technical assistance and skills to nonprofit sponsors of housing programs. His message states:

"Through grants, loans, and technical assistance, this program will help small private nonprofit organizations in our cities. These organizations will then be able to draw quickly upon architects, engineers and financial experts to speed the construction of low income housing."

NHC endorses the proposed authorization in the Housing Bill of 1968 to make seed capital advances to nonprofit and cooperative organizations to facilitate housing for low and moderate income groups.

7. FHA should remove impediments to the development of housing in high-cost areas, including both high-rise and low-rise buildings. The present cost limits are unworkable for many such areas. The practical effect of present FHA cost limits is to force most of the 221(d)(3) housing into outlying areas, rather than encouraging its construction within the cities



where employment and public transportation are available. While FHA allows its present cost limits to be increased if there is partial tax abatement, such tax abatement is often not available because of restrictions in state and local laws. Moreover, many cities face the problems of inadequate revenues and they are reluctant to grant tax abatement. Tax abatement on 221(d)(3) or 236 housing should not be required since it is not required under the programs for public-housing leasing of privately-owned housing or for rent supplements. Increasing these cost limits would help meet the housing needs of large families.

8. FHA should relax regulations and directives which would preclude legitimate nonprofit sponsors from participating in the 221(d)(3) or 236 programs because of burdensome financial requirements.

9. There should be amendment of the FNMA limitation on the unit cost of mortgages purchasable under its special assistance program for 221(d)(3) mortgages. The amendment should extend the urban-renewal-area exception which is applicable to other multifamily housing. This is necessary due to the higher housing costs which generally prevail in urban renewal areas.

#### V. New program for homeownership for low- and moderate-income families

1. The President's message recommends a new program to enable lower income families to buy or repair their own homes. The message states:

"Home ownership is a cherished dream and achievement of most Americans. But it has always been out of reach of the nation's low-income families. Owning a home can increase responsibility and stake out a man's place in his community. The man who owns a home has something to be proud of and good reason to protect and preserve it. With the exception of the pilot program I began last year, low-income families have been able to get Federal help in securing shelter only as tenants who pay rent.

"Today I propose a program to extend the benefits of home ownership to the nation's needy families.

"Under this program, the broad outline of which has already been set forth in S. 2700, low-income families will be able to buy modest homes financed and built by the private sector. These families will devote what they can reasonably afford—a specified percentage of their income—to mortgage payments, with the Government paying the difference in the form of an interest subsidy. Under this interest subsidy, the Federal Government would pay all but 1 percent of the interest on the mortgage, depending on the income of the homebuyer."

2. NHC endorses and supports this program and the provisions to implement it contained in the Housing Bill of 1968. We strongly recommend the interest subsidy proposed by the President which would achieve an effective interest rate ranging from 1% upward, depending upon the income of the family. We urge that this formula be substituted for the one in S. 2700 where the interest subsidy would produce an effective interest rate of 3%. A lower interest rate is necessary to provide home ownership for lower income families who can only afford a 1% interest rate.

3. For the new home ownership program recommended by the President, the Housing Bill of 1968 authorizes contracts for interest assistance payments—subject to approval in appropriation acts—in the amount of \$75 million annually prior to July 1, 1969, which amount may be increased by \$100 million on July 1, 1969, by \$125 million on July 1, 1970, by \$150 million on July 1, 1971, and by \$150 million on July 1, 1972. NHC recommends increases in these proposed authorizations for the new home ownership program to

achieve an average annual rate of 200,000 units for a 5-year period. Initially, NHC recommends that the annual rate should be 150,000 units but it should be accelerated each year until it reaches 250,000 units in the fourth and fifth years.

4. Under the interest-subsidy provision of the Housing Bill of 1968 which is designed to bring individual and cooperative homeownership to families of low and moderate incomes, the subsidy benefits are limited to the initial owner of a house or the initial member-occupant of a cooperative dwelling unit. This limitation will prevent the program from meeting the continuing need for housing low and moderate income families because it prevents the particular house or dwelling unit involved from being available to subsequent families with such incomes. We recommend that this provision be amended so that when the owner or cooperative member sells his dwelling to a purchaser meeting the income limits applicable to this program, the purchaser will also be eligible to obtain an interest subsidy on the dwelling involved. This amendment should also extend to all subsequent eligible purchasers.

5. NHC opposes the provision in the Housing Bill of 1968 to require families to spend 20% of their income for mortgage payments—including insurance and real estate taxes—under the new homeownership program for low and moderate income families. The proposed interest subsidy would pay only the excess of the mortgage payment above the amount which represents 20% of family income. During 1966, the statistics show that a median of 15.5% of income was spent for such mortgage payments, as distinguished from total housing expense, under the FHA 203 program. NHC recommends a requirement that 15% of income be spent for mortgage payments under the new program for homeownership by low and moderate income families. This is necessary to assure that families will have enough income remaining to pay for food, clothing and other requirements for a decent standard of living.

6. NHC supports the provisions of the Housing Bill of 1968 making FHA-insured financing available to families of low and moderate income who cannot now qualify for mortgage insurance under regular FHA programs because of their credit histories or irregular credit patterns, but who HUD finds are "reasonably satisfactory credit risks" and capable of homeownership. The Bill contemplates that such families would receive counselling and assistance in budget and debt management. NHC believes that this program is long overdue since the present FHA requirements for credit approvals have proven too stringent for families of lower incomes. NHC recommends that these provisions be extended to include the cooperative home ownership program for low and moderate income families, as the same credit clearance problems have arisen in that program as in other homeownership programs.

7. NHC approves the use of the interest subsidy program in cooperatives, since this will make it possible to reach lower income groups because of the economic savings and advantages of cooperatives. These are illustrated by the following savings:

(a) Lower closing costs with one closing on an entire project of many dwellings, rather than one for each dwelling.

(b) Lower transfer costs since it is unnecessary on a cooperative sale to incur the costs of title examinations and transfers, brokers fees, refinancing and other charges.

(c) Lower construction costs which cooperatives have achieved through the economies of large scale building when many housing units are presold before construction starts.

8. NHC endorses the amendment in the Housing Bill of 1968 which would make financing and interest subsidies available for the conversion of existing rental housing into

cooperative or other home ownership. At present, such financing is available only when there will be rehabilitation of the property to the extent of at least 20% of the mortgage proceeds. NHC recommends that even though an existing property does not require rehabilitation, it should be eligible for such financing. Such 221(d)(3) financing will add to the housing supply and make home ownership available for moderate income families. Due to its lower cost, it should be possible to convert such existing housing to serve a lower income group by refinancing it at a below market interest rate and by operating it on a cooperative or other home ownership basis.

#### VI. Cooperative housing

1. In urban areas where multifamily housing predominates, cooperatives provide an important means of achieving homeownership. This provides better communities where the control and responsibility rests with the people who have a stake and pride in their own housing development. The cooperative program has been successful for moderate income families assisted under Section 221(d)(3) where financing is provided at a 3% interest rate, just as it has been successful for middle income families assisted under Section 213 at market rates of interest. NHC fully concurs in the Congressional mandates to encourage such cooperative ownership.

2. The need and demand for cooperative housing at a below market interest rate greatly exceeds the amount of funds available. The below-market program of 221(d)(3) has demonstrated its success in meeting the housing needs of lower income families who cannot be served by private enterprise without the aid of a subsidy. Cooperative housing represents about one-third of the accumulated backlog of projects awaiting funds under the 221(d)(3) program of below market interest rates. This backlog of need would be met by the increased authorizations recommended above for the 221(d)(3) program and for the 236 program and the new homeownership program, which would provide interest subsidies for the consumers to reduce the market rate on privately-financed mortgages. The effective interest rate would be reduced to 1%, depending upon the need of the family.

3. Ten years ago Congress established a revolving fund of \$225 million for the purchase by FNMA of cooperative mortgages insured by FHA under Section 213. This financing has made it possible for middle-income consumers to join together to help themselves get good housing through their cooperatives. While there have been extensive mortgage purchases from the cooperative revolving fund, much of the money has been returned, so it now has an uncommitted balance of about \$100 million. The Administration has impounded this fund and no further FNMA commitments can now be issued. NHC strongly recommends that the balance in the cooperative revolving fund be made immediately available for the purchase of mortgages on cooperative projects. The 213 program meets an important need among those middle-income families and individuals who can only afford the lower monthly charges achievable through cooperative economies and financing.

4. The Housing Bill of 1968 contains an appropriate and workable appraisal formula for cooperatives in the new homeownership program. It recognizes the need for such an appraisal formula which is based upon a property which is operated on a nonprofit basis and seeks to produce only enough income to cover its costs and debt service. The same formula should be made applicable to cooperative housing under Section 213 to assure the adequacy of the amount of financing to enable the acquisition of an existing property for a consumer cooperative.

5. As recommended elsewhere in these Resolutions and subject to the conditions stated



herein, NHC urges the disposition of public housing and Federally-owned housing to co-operatives whose members will reside in such housing and enjoy the benefits of mutual ownership.

6. NHC cites with approval the tried and tested programs which have been in operation for years and enabled lower income families to achieve cooperative ownership of multifamily housing. We urge HUD and its constituent agencies to use fully all available legislative tools under existing programs to achieve the values and objectives of co-operative home ownership by people with low or moderate incomes. This should include the following:

(a) Encouragement of cooperative housing projects in all parts of the country under all available programs. NHC commends FHA for the recent issuance of a circular to impress upon all Insuring Offices that it is the policy of HUD to encourage home ownership through the cooperative approach and to offer all possible assistance in the development of cooperative housing projects.

(b) In the disposition of housing acquired by HUD and its constituent agencies, a priority should be afforded to the residents so they will have the opportunity to acquire the properties through their cooperative. The recent FHA circular advised insuring offices that many acquired multi-family housing projects are particularly suitable for cooperatives and that negotiated sales would be made. This was successfully done by FHA recently in a pilot case.

(c) In the disposition of property by urban renewal agencies, there should be a recognition in the disposition plan that it is important to achieve cooperative ownership of multifamily housing in urban renewal areas. Accordingly, part of these areas should be considered for the development of housing to be so owned by the people. In making a disposition for this purpose, there should be a disposition condition that those who acquire the property agree to develop it for housing that will involve cooperative ownership.

#### VII. Multifamily housing in urban areas

1. To achieve success in the model cities program and to meet the housing needs of urban areas, it is necessary to reach a high volume of private development of multifamily housing. The President's message emphasizes the importance of harnessing the productive power of America to rebuild the urban slum which the President identifies as "the most pressing of our unfilled needs in our society." To help achieve this objective, the President proposes that the Congress authorize the formation of privately-funded partnerships that will join private capital with business skills. The message states:

"The objective of these partnerships will be to attract capital from American industry and put that capital to work. Their exclusive purpose will be to generate a substantial additional volume of low and moderate income housing. They will use the best private management talent, planning techniques and advanced methods of construction. They will probe for the savings inherent in the latest technology and in economies of scale."

NHC approves of the proposal to enlist the private capital and talents of American industry in the production of low and moderate income housing.

2. Besides initiating new methods of stimulating private enterprise to participate in the housing program, it is necessary to perfect existing programs and remove obstacles which discourage private initiative in undertaking housing developments. One major obstacle is described below together with our recommendation for its removal.

3. Many investors or sponsors are reluctant to undertake multifamily projects in urban areas because of the current FHA require-

ment that they provide a guarantee against operating deficits until the projects become self-supporting. In many urban renewal areas, experience has demonstrated that a project will not become self-supporting until the area has been redeveloped on a major scale and becomes established as an attractive community. FHA does not determine the need and extent of the operating-deficit guarantee until the time immediately prior to the issuance of its commitment for mortgage insurance. By that time, the investor or sponsor has spent so much money on the project that it cannot afford to withdraw. Eligible investors and sponsors are therefore reluctant to initiate multifamily housing projects because of the uncertainties concerning the guarantees that may be required.

4. In 1961, a law was passed providing that if there were losses during the first two years of operation of a multifamily housing project, FHA was authorized to increase the mortgage by an amount equal to the operating losses. However, this does not solve the problem described above, because investors or sponsors are required to give a guarantee in advance. Moreover, they have no assurance that the operating losses will be added to the mortgage at a later date, since this is entirely discretionary with the FHA and the financing institution. To avoid this and other problems, NHC recommends an amendment to the law to authorize the inclusion in the original mortgage of the estimated amount of the operating losses for the initial two year period. Although this amount would be included in the mortgage, there would be a requirement that any mortgage funds not needed to meet such losses would be used to reduce the mortgage; also, the investors should not receive any returns on their investment during the period when operating deficits are being met from mortgage proceeds.

#### VIII. Housing for the elderly

1. The Section 202 program and the new supplement to it through interest subsidies under the Housing Bill of 1968 should provide an average of 30,000 housing units for the elderly each year for the next 5 years.

2. The present policies under Section 221 (d) (3) should be modified to permit the construction of housing projects exclusively for the elderly, rather than limiting such financing to projects which also serve other age groups. In this respect we are pleased to note the provisions of the Housing Bill of 1968 which authorize the refinancing of projects for the elderly or handicapped and put them on the same favorable basis as 221(d) (3) projects. The Bill also authorizes interest subsidies to be made on elderly projects to be insured under the new Section 236.

3. In accordance with the statutory authority for loans equal to the total development costs, HUD should eliminate the requirements in the 202 program that an approved sponsor must make an investment to cover the cost of preliminary expenses, facilities, furnishings, equipment and working capital. Such costs should be included in the loan. It should not be necessary for a non-profit sponsor to make a monetary contribution. Its contribution consists of its devotion of time, ingenuity, and energy in initiating, and developing projects—all without compensation and motivated by public service.

4. The Section 202 cost limits should be increased so housing can be built within the cities where they are needed to serve the elderly. In view of land costs, this should include high-rise buildings. The program should include rehabilitation as well as new construction. Tax abatement should not be required since it is often unavailable because of restrictions in state and local laws. Moreover, many cities are facing problems of inadequate tax revenues and are reluctant to grant tax abatements. Section 202 housing for the elderly should be permitted to pay full taxes, as is permitted in leasing private-

ly-owned housing for public housing purposes and in the rent supplement program. Nursing facilities should be eligible for financing in housing for the elderly.

5. There is a need for special programs to provide federal grants for the following purposes in housing for the elderly:

(a) to assist in training professional personnel to manage elderly housing projects;

(b) to meet the capital costs of housing-related facilities, such as senior activity centers, health maintenance units, dining rooms, hobby and craft rooms, and counselling centers; and

(c) to provide working capital and seed capital to states and localities, and to national nonprofit organizations such as church groups, labor unions, fraternal and cooperative-servicing organizations.

6. NHC urges that housing for the elderly be included in all planning under the model cities program.

#### IX. College housing

1. NHC recommends a 5-year authorization of \$1 billion annually for loans at below-market-interest rates for college housing.

2. Since passage of the National Defense Education Act of 1958, our Nation has increasingly recognized its dependence upon higher education for its security, welfare, and continued prosperity. To meet the demands made upon them by the expanding number of students and by required increases in faculties, additional housing must be provided for students and faculty.

3. Congress recognized the appropriateness of meeting these needs nearly twenty years ago. In the Housing Act of 1950, it initiated low-interest loans for housing and educational facilities for students and faculties. Since 1961 there have been authorizations for loan increases at the rate of \$300 million each year. This increase is wholly inadequate to meet current needs. The study conducted under the auspices of the American Council on Education has indicated that approximately \$1.5 billion per year will be needed for college housing for the next ten years. Recognizing that a portion of this amount may be derived from non-federal sources, the Council recommended that Congress authorize a minimum of \$1 billion a year for the next ten years in the form of long-term, low interest loans for the construction of housing facilities.

4. The Housing Bill of 1968 proposes an increase in the interest rate on college loans from 3% to a rate equal to the current average market yield on comparable maturities of U.S. obligations—with discretion in HUD to make a reduction of not more than 1% below this average yield. This means that the interest rate on college loans would be substantially increased above 3%. NHC is opposed to this increase in the interest rate on college housing loans. We believe that these loans should continue to be made at the same 3% interest rate that Congress previously approved. As an alternative, we would endorse the interest subsidy provision of S. 2700 to keep the effective interest rate at 3% on loans for college housing.

#### CHAPTER H. NEW AND EXPANDED PROGRAMS FOR LONG-TERM AND INTERIM REHABILITATION

##### I. The need for rehabilitation

Everyone recognizes the importance of saving existing neighborhoods through rehabilitation and other conservation measures. The Model Cities Program relies upon rehabilitation as a major means of accomplishing its objectives. It is sound policy to improve our present housing supply and conserve neighborhoods, rather than allow them to deteriorate until they require greater costs in demolition and reconstruction. Yet no substantial progress has been achieved through rehabilitation. There is general agreement that we lack adequate tools for an effective rehabilitation program. We rec-



commend a rehabilitation program which includes both:

1. *Long-term rehabilitation* which would save and improve existing neighborhoods, where feasible, through upgrading of suitable structures and other conservation measures; and

2. *Interim rehabilitation* which would quickly improve the housing in slum and ghetto areas to eliminate hazards to health and safety.

There is a need for both long-term rehabilitation of suitable buildings, and interim rehabilitation for buildings not suitable for long-term rehabilitation but still needed now for continuing use until later clearance. Such interim rehabilitation would eliminate conditions which are hazardous to the health or safety of the residents.

#### II. Central coordinating Federal and local agencies

There should be central coordinating Federal and local agencies to channel and utilize all Federal and local aids for the rehabilitation program in the neighborhood. At the Federal level there would be a HUD unit and at the local level an agency responsible to the municipal government. There should be Federal grants for a total coordinated plan for rehabilitation of the neighborhood and for carrying out the rehabilitation program contemplated by the plan—including long-term and interim rehabilitation. The local agency should enlist the participation of cooperative and nonprofit organizations and local housing authorities. The local agency would also act on behalf of eligible home owners in the area in obtaining:

1. Rehabilitation grants for them;
2. Below market interest rate loans or market interest rate loans for their rehabilitation work; and
3. Contracts to perform the rehabilitation work, subject to supervision by the local agency.

#### III. Long-term rehabilitation

In the long-term rehabilitation program, we must modify present programs and devise new ones which will achieve the volume of rehabilitation necessary for a successful program in model city neighborhoods and for the improvements of other deteriorated areas. This requires more favorable and realistic financing terms and the development of advanced technological methods for effective application. Local public agencies engaged in urban renewal and local housing authorities should purchase slum buildings and obtain adequate subsidies to write down the re-sale price of the buildings to be rehabilitated. The amount of the write-down should be whatever is needed to achieve monthly charges, after rehabilitation, which will be within the financial reach of the low income and moderate income families to be served. This urban renewal program and the write-down of slum properties would be undertaken in combination with the following programs to provide necessary financing for the rehabilitation:

1. Public housing and rent supplement programs should be available for rehabilitated housing to serve those of low income. This would also include public housing leasing.
2. More realistic FHA-insured financing should be made available under the below market interest rate programs of 221(d) (3) or 221(h)—and the new interest subsidy programs—to serve those of moderate incomes; and market interest rate financing to serve those who do not qualify under the income limits for moderate-income groups.
3. Federal rehabilitation loans for 20 years under Section 312 at 3% interest. We are pleased to note that the proposed Housing Bill of 1968 would amend Section 312 to create a revolving fund, with such appropriations in each fiscal year as may be necessary to carry out the program. In addition,

the Bill would extend the program from its present expiration date of October 1, 1969 to June 30, 1973. Section 312 should be amended, however, to broaden the category of eligible borrowers to include public bodies, cooperatives and nonprofit corporations. At present, borrowers are restricted to owners or tenants.

4. Section 515, for Federal rehabilitation grants to eligible occupants who own their own homes in the rehabilitation neighborhood, should be amended to increase the maximum grant for long-term rehabilitation. Instead of the increase to \$2,500 proposed in the Housing Bill of 1968, NHC recommends an increase to \$5,000.

5. Where state or local governments allow tax abatement to encourage rehabilitation, there should be a Federal grant to reimburse them for 75% of the tax losses. This Federal grant should be subject to the limitations in the state or local law, but in no event should the Federal grant exceed 75% of the cost of the rehabilitation work. These Federal grants should also apply to cities and local governments allowing tax abatements for 221(d) (3) housing programs.

6. The foregoing rehabilitation grants and the Section 312 loans should be available both inside and outside urban renewal areas when a rehabilitation program is being undertaken in the neighborhood.

7. Relocation assistance and payments should be available to anyone displaced as a result of a rehabilitation program.

#### IV. FHA rehabilitation programs

In the FHA programs for long-term rehabilitation, more realistic and workable financing terms and allowances are required. These include the following:

1. The formulas for determining mortgage amounts must recognize the actual cost of acquiring and rehabilitating properties that are structurally sound.
2. There should be a contingency allowance built into the mortgage financing as has been recently done by FHA. In rehabilitation, the contractor is often not aware of potential structural, electrical, or plumbing problems until he breaks into the walls and ascertains actual conditions. The new FHA policy would provide financing to cover such extra costs due to unforeseen conditions or other contingencies.
3. The FHA requirements for rehabilitation should not require a specified percentage of mortgage proceeds to be used for rehabilitation, so long as property is brought up to code standards.
4. In projects where the property is owned or controlled by the proposed mortgagor, cost savings may be achieved by stripping down the building and tearing out the interior walls before making estimates or getting bids for the rehabilitation work. In such cases, FHA should recognize the cost of gutting the building since this increases the value of the property for rehabilitation because conditions are known and unforeseen contingencies are minimized.
5. To reduce the monthly charges to the level which moderate-income families can afford, it is necessary to eliminate present requirements for short amortization periods on rehabilitation projects. Where the rehabilitation project property is in a central city, there is likely to be an increment in land value from which to repay the loan, even though demolition occurs well in advance of the remaining estimated life of the improvements. Thus, the property may later become part of a model city neighborhood or urban development area. At present, the statute limits the mortgages to a maturity not exceeding three-quarters of the remaining economic life of the building improvements. This limitation should be repealed. FHA should be authorized to permit up to forty-year maturities where appropriate.
6. Large-scale rehabilitation will require urban renewal or other subsidies to write-

down the cost of properties to be rehabilitated. This is necessary to produce monthly charges which are within the financial reach of the lower income families to be served.

#### V. Conservation of public and other rental housing

The rehabilitation program should include the conservation of existing public housing, which is discussed elsewhere in these Resolutions. It should also include rehabilitation of existing rental housing, such as the projects built under Section 608 or other FHA programs.

#### VI. Interim rehabilitation

Interim rehabilitation would provide the minimum rehabilitation necessary to achieve prompt improvement of housing conditions in slum and ghetto areas. Interim rehabilitation may be a first step in the total process of permanent development of the area under the urban renewal or model cities program. Public acquisition of properties for interim rehabilitation may be an early acquisition of part of the property that may later be involved in such a permanent program for the neighborhood.

There should be a fast program of interim rehabilitation to correct those housing conditions which directly affect health and safety. The people now living in substandard housing should not be expected to wait until permanent neighborhood improvement programs are developed. We need legislation now which will provide grants and loans which can be rapidly disbursed to eliminate health and safety hazards, without regard to the useful life of the buildings. The program would include:

1. Federal code enforcement grants for interim rehabilitation.
2. Federal interim rehabilitation grants of not to exceed \$2,500 to low-and-moderate income owners of homes in the slum and ghetto areas.
3. Federal grants to local public agencies to acquire slum buildings which are in violation of housing codes, and for interim rehabilitation to eliminate hazards. Through Federal grants there should be necessary write-downs to achieve monthly charges on the rehabilitated housing which the low-and-moderate income group can afford.
4. As already stated, Section 312 should be amended to permit Federal loans to public agencies, cooperatives or nonprofit corporations to permit them to achieve interim rehabilitation and the correction of hazards in buildings they own or acquire.
5. Section 312 should be further amended to provide loans to public bodies or agencies which take possession or control of any property—through receivership or otherwise—which violates code requirements or local laws concerning health or safety and where the owner of the property has failed to correct such violations within a period prescribed by local law. The loan should be made on the condition that it will be repaid from the income derived from the rehabilitated property, with appropriate liens or other rights that will be enforceable against the property.
6. Relocation assistance and payments should be available to anyone displaced from housing as a result of an interim rehabilitation program. Federal grants should be available for this purpose.
7. The 221(h) program under the 1966 Act—which was initiated by Congresswoman Sullivan—provides 3% loans to nonprofit organizations for rehabilitation of substandard housing for sale to low-income purchasers. This program is being incorporated into the interest subsidy program for homeownership under the Housing Bill of 1968.
8. Legislation along the lines proposed by Senator Clark of Pennsylvania should be enacted to provide standby financing of necessary improvements to homes occupied and owned by low-income elderly couples or in-



dividuals in urban renewal areas. Under this bill, interest and amortization on FHA-insured loans for these purposes would be deferred until the death of the owner or earlier sale of the property.

9. The objective of the foregoing federal grants and loans for interim rehabilitation is to provide whatever assistance is needed to achieve monthly charges, after interim rehabilitation, which will be within the financial reach of the low income and moderate income residents. The emergency upgrading of structures under the interim rehabilitation program should not involve increases in rents beyond the reach of the present tenants.

#### CHAPTER I. INTERIM ASSISTANCE PROGRAMS IN SLUM AND GHETTO AREAS

##### I. Need for interim action to alleviate slum conditions

The President and commissions appointed by him have recognized that our number one domestic priority should be a program to solve the problems of slum and ghetto areas, including bad housing and inadequate community services. Besides the long-term programs which NHC recommends in this report to solve these problems, we need a concentrated and coordinated program to take immediate and interim action to alleviate these harmful conditions. Just as the model cities program provides for centralized and coordinated federal and local action, we need a parallel program to revitalize and rehabilitate slum and ghetto areas through interim action. Instead of the present multiplicity of federal and local agencies, there should be a centralized coordinating responsibility in a HUD unit and in a local agency responsible to the municipal government to obtain and use all available federal and local aids in achieving interim revitalization and rehabilitation.

##### II. Proposed new program for interim assistance in slum areas

1. We need the kind of interim assistance program which the Senate Committee on Banking and Currency has recommended in the Sparkman Bill, S. 2700, as follows (subject to the amendments described hereafter):

"... The Secretary of Housing and Urban Development would be authorized to make grants to a city, other municipality, or county to assist it in taking interim steps to alleviate harmful conditions in any slum or blighted area of the community which is planned for substantial clearance in the near future, but which needs some immediate public action until permanent action can be taken.

"The Committee has been concerned for some time about the plight of residents and property owners in slum or blighted areas which are planned for substantial clearance in the near future. Since immediate alternative housing is often not available, Federal assistance is necessary to provide a more livable environment during the remaining period of use before clearance. The Committee regards this provision as a stopgap measure for areas where it is clear that concentrated code enforcement is impractical because it would reduce the supply of housing or compel property owners to make uneconomic repairs.

"This assistance should enable communities to undertake such immediate short-term actions as (1) repairing serious deficiencies in the street, sidewalks, parks, playgrounds, publicly-owned utilities and public buildings located in the area to the extent needed to maintain or restore the basic livability of the area until permanent action can be taken (no new construction or major capital improvements would be permitted); (2) the improvement of private properties to the extent needed to eliminate the most immediate dangers to public health and safety; (3) the demolition of structures determined to be structurally unsound or unfit for human habitation which constitute a public nuisance and serious hazard to the public health

and safety; (4) the establishment of temporary public playgrounds on vacant land within the area; and (5) the improvement of garbage and trash collection, street cleaning, and similar activities through the employment of otherwise unemployed or underemployed residents of the area.

"Grants could not exceed two-thirds of the cost of planning and carrying out the interim program, except the three-fourths grants could be made to any community with a population of 50,000 or less according to the most recent decennial census. A community would have to have a workable program for community improvement to qualify for assistance, and relocation assistance and payments would be available to anyone displaced as a result of an interim program."

2. NHC recommends that all cities be eligible for a three-quarters grant for the cost of planning and carrying out the interim program instead of limiting the larger grants to the smaller cities. The foregoing program should be amended to make clear that the planned clearance need not occur "in the near future" because this would unduly restrict the interim assistance program. The legislation should apply to any area where there is a plan for clearance at a later date.

3. The Senate Bill S. 2700 should be clarified so the interim assistance includes interim rehabilitation of housing to protect the health and safety of residents. Also, it should be amended to eliminate the restriction—described in clause (2)—that repairs can be made only to private properties. Such interim rehabilitation is not new construction or a major capital improvement. It is a temporary upgrading of the housing which would bring it up to a minimum standard of decency and liveability.

#### CHAPTER J. NEW TOWNS AND NEW COMMUNITIES

1. There is an urgent need for a program to develop New Towns and New Communities, which are planned communities designed to help meet the needs of the expanding metropolitan area and to provide an orderly dispersal of population and relief of city congestion. With the passage of the 1966 Housing Act, Congress recognized the need for a program to develop New Towns. While this legislation was a vital step in the right direction, it was only an experimental program. New legislation is now necessary to establish the New Towns program on a permanent basis.

2. In his message, the President proposes the New Communities Act of 1968, which is a title in the Housing Bill of 1968. The President describes the need and purposes of the new communities program as follows:

"Over the next decade, 40 million more Americans will live in cities. Where and how will they live? By crowding further into our dense cities? In new layers or sprawling suburbia? In jerry-built strip cities along new highways? Revitalizing our city cores and improving our expanding metropolitan areas will go far toward sheltering that new generation.

But there is another way as well, which we should encourage and support. It is the new community, freshly planned and built. These can truly be the communities of tomorrow—constructed either at the edge of the city or farther out. We have already seen their birth. Here in the nation's capital, on surplus land once owned by the Government, a new community within the city is springing up.

In other areas, other communities are being built on farm and meadow land. The concept of the new community is that of a balanced and beautiful community—not only a place to live, but a place to work as well. It will be largely self-contained, with light industry, shops, schools, hospitals, homes, apartments, and open spaces. New communities should not be built in any set pattern. They should vary with the needs of the people they serve and

the landscapes of which they are a part. Challenge and hard work await the founders of America's new communities:

Careful plans must be laid.

Large parcels of land must be acquired.

Large investments in site preparation, roads and services must be made before a single home can be built and sold.

The development period is long, and return on investment is slow.

But there is also a great opportunity for, as well as a challenge to, private enterprise.

The job is one for the private developer. But he will need the help of his Government at every level. In America—where the question is not so much the standard of living, but the quality of life—these new communities are worth the help the Government can give.

I propose the New Communities Act of 1968. For the lender and developer, this Act will provide a major new financing method. A Federally-guaranteed "cash flow" debenture will protect the investment of private backers of new communities at competitive rates of return. At the same time, it will free the developer from the necessity to make large payments on his debts, until cash returns flow from the sale of developed land for housing, shops and industrial sites. For the local and State government, the Act will offer incentives to channel jointly financed programs for public facilities into the creation of new communities. The incentives will take the form of an increased Federal share in these programs.

3. NHC endorses the President's proposal for the new communities program, but we recommend the amendments or implementation described below.

4. The New Communities Act should be amended to include public agencies or authorities instead of limiting the FHA insurance to private developers. NHC believes that a public authority represents the most effective instrumentality to undertake necessary land acquisition and carry out the development of a New Town.

5. Since there will be a substantial waiting period before the developer will collect money from sales or leases of land, we agree that payments of principal on the loan—evidenced by income debentures—should be made only to the extent possible from cash flow received from land disposition. Likewise, interest should be treated as a developmental cost up to the estimated time when sufficient monies would be recovered to pay interest on the loan. At that estimated time, the payments of interest and principal would be made on the debentures to the extent that cash flow permitted. Necessary federal guarantees and aids must be provided to assure the marketability of the debentures. Until they are acceptable in the market, FNMA should purchase them with special assistance funds.

6. Loans should be made on a long-term basis. We are pleased to note that the proposed Bill removes the unworkable 7-year loan limit in the present law.

7. To achieve its objectives, the program under the New Communities Bill should recognize that it is necessary to:

(a) Buy land at low cost and keep it available for resales or leases at low prices.

(b) Achieve integration—both economic and racial.

(c) Minimize transportation needs by assuring employment for its residents within the New Town and with some employment in nearby areas; and by providing housing in the New Town for lower-income service and domestic help.

(d) Achieve a physical layout which provides for separation of pedestrian and automobile traffic, safety of children, convenient playgrounds and other advanced planning.

By internally relating homes, employment, and recreation, automobile use can be reduced to shorter trips at non-peak road densities. There is a need for a governmental



unit in the locality which would have all the governmental powers, functions and responsibilities of the New Town. NHC believes that the foregoing requirements should be stipulated as conditions to FHA insurance under the New Communities Act.

8. In its large program of land acquisition, the Bureau of Public Roads should purchase excess land beyond the amount needed for the roads themselves. Since roadbuilding programs result in the displacement of people from their homes, there should be recognition of the duty and responsibility of the Bureau to acquire land that is suitable for residential development and make it available to rehouse such displaced families. Whenever federal highway programs displace large numbers of people, the Bureau should fulfill this relocation responsibility, both inside and outside of Communities. At large road interchanges, this program should include the acquisition of additional land for the development of New Communities where they are needed to rehouse displaced families and to meet the needs of our growing population. Such land can generally be acquired by the Bureau at low cost at the time the land is being acquired for new road systems.

#### CHAPTER K. RURAL HOUSING, RENEWAL AND PLANNING FOR MULTI-COUNTY AREAS

1. NHC has long recommended a program of rural housing and rural renewal which will make available to rural areas the same kinds of financial assistance as are provided for urban housing and urban renewal. We endorse the provisions of the Housing Bill of 1968 which make certain housing assistance equally available to rural areas.

2. Thus, the new interest subsidy programs would be available in both urban and rural areas. This includes the new home ownership program and the rental and cooperative program under FHA to provide housing for low and moderate income persons and families. However, insofar as the administration of these programs in rural areas is concerned, the Secretary of HUD would assign to the Secretary of Agriculture necessary authority, along with appropriate transfer of funds, for the implementation of the programs as agreed upon by the two Secretaries.

3. In addition, NHC supports Title X of the Housing Bill of 1968 which provides that where the foregoing assistance is not available, the Secretary of Agriculture may make direct and insured loans in rural areas—in places not exceeding 5,500 population—to provide housing for low and moderate income persons and families. This includes loans for rental or cooperative housing. Interest will be at a rate set by the Secretary of Agriculture after considering the cost of money to the Treasury and the payment ability of the applicants. The interest rate may not be less than 1 percent. An interest supplement necessary to market the insured loans will be paid from the Rural Housing Insurance Fund and reimbursed by annual appropriations. Eligibility for these loans will be broadened to include persons not previously residing in rural areas who have low or moderate incomes and who are employed in rural areas.

4. NHC recommends adoption of the provisions of Title VI of the Housing Bill of 1968 which would authorize HUD to make planning grants to assist district planning agencies for rural and other non-metropolitan areas. A grant authorization of \$20 million would be provided in fiscal year 1969. The Secretary of Agriculture would be given certain functions as to planning grants for districts, including a requirement that he be consulted before any such grant is made.

5. NHC recommends the following amendments to the Housing Bill of 1968 relating to rural housing:

(a) To provide rent supplements in rural areas similar to those for urban areas.

(b) To increase by \$50 million a direct-loan fund in the Farmers Home Administration to supplement the mortgage insurance program and to keep interest rates from going too high.

(c) To give the Secretary of HUD authority to waive rules and regulations of HUD programs so very small cities and towns can get an equitable share of HUD programs.

(d) To expand the low-interest loan program under the Aiken-Poage Water and Sewer Act to include predominantly rural areas and to cover community facilities such as police and fire facilities, street lighting and community centers.

(e) To provide a new program of grants and 3% loans for rural low-income families and individuals for housing repair and rebuilding and for self-help housing.

(f) To provide a small experimental program of aid to rural areas and small towns for public, cooperative, or nonprofit transportation systems.

(g) To provide that only the new farm home and the immediate lot—not exceeding one acre—need be encumbered in home mortgages under the Farmers Home Administration.

(h) To provide for an experimental and demonstration housing program in Farmers Home Administration similar to the present HUD program; such authorization should be used to develop self-help housing in rural areas.

(i) To increase the mortgage term to 40 years for most rural housing loans.

(j) To double appropriations for the Farmers Home Administration.

6. Besides Congressional actions, there is a need for more effective executive actions and better coordination of Agriculture and HUD, and for consultation with industry and public interest groups. Such actions should be taken to assure that federal housing, community facility and planning aids for rural areas are equivalent to those available in cities and metropolitan areas.

7. NHC recommends and urges the Secretary of Agriculture to stimulate and encourage programs under new and existing cooperative housing provisions to alleviate the housing ills in rural areas.

#### CHAPTER L. FINANCING NURSING HOMES AND FACILITIES FOR GROUP MEDICAL PRACTICE

1. There is a continuing desperate need for hundreds of thousands of nursing home beds, especially among the low-income elderly. This need has increased by demands generated through Medicare. Since local housing authorities have long experience in building low-rent housing for the elderly, they are well qualified to develop nursing homes for low-income persons. They should be authorized to coordinate programs of housing and nursing homes facilities for the low-income group. This can be done effectively by amending the U.S. Housing Act of 1937, to authorize annual contribution contracts with local housing authorities for nursing home facilities. Likewise, Section 202 should be amended to permit the inclusion of nursing facilities in housing projects for the elderly. In this way, elderly persons who need nursing facilities would not have to leave the community in which they are living.

2. NHC endorses the proposed amendment in the Housing Bill of 1968 to permit the cost of major items of equipment used in the operating of a nursing home to be included in the FHA-insured mortgage; also, to permit supplementary loans for the installation of such equipment in nursing homes previously constructed.

3. The 1966 Act included a program of FHA insurance for facilities used for group medical practice. NHC reaffirms its support of this program and urges its use to encourage the development of nonprofit cooperatives whose members will obtain the benefits of bona fide group medical practice at a reason-

able cost. The program should operate in both urban and rural areas.

4. NHC endorses the amendment to the Housing Bill of 1968 to permit mortgage amortization to commence after completion of construction of group practice facilities rather than at the time the mortgage is executed.

5. NHC supports the Patman Bill, H.R. 10188, which would remove obstacles that impede the broader development of group health plans and which would make financing available for group health programs providing hospitalization, out-patient and preventive care.

#### CHAPTER M. PUBLIC AND COMMUNITY FACILITIES INCLUDING WATER, SEWER, AND NEIGHBORHOOD FACILITIES

1. The Housing Bill of 1968 contains no new authorization of funds for water, sewer, neighborhood facilities and advance acquisition of land programs. It does provide that any funds already authorized and not yet appropriated will remain available until July 1, 1970. With respect to the open space land program, the Bill would convert the present authority to enter into contracts not in excess of \$310 million to a regular authorization for appropriations not in excess of \$310 million prior to July 1, 1969. For subsequent fiscal years that amount would be increased by such additional sums as are necessary, with any amounts appropriated to remain available until expended.

2. NHC recommends a 5-year authorization of \$2 billion annually for grants to local governments for basic water and sewer facilities and other types of public improvements and community facilities. Of the \$2 billion, \$250 million should be made available annually for the open space land program. The public improvements and community facilities should include those authorized by the 1965 Act such as neighborhood and public facilities, particularly in slum and ghetto areas. It should also include the acquisition of land to provide parks and recreational facilities in urban areas, so that they are closely accessible to the people who need them most.

3. There is a great and continuing need for the foregoing Federal public facilities grants to assist in overcoming serious backlogs in replacing substandard or obsolete facilities—especially in the central cities—eliminating water pollution and meeting the unprecedented demands for additional facilities and services generated by population expansion. These needs cut across whole metropolitan areas and involve central cities, new suburbs and the new communities still to come. This essential expansion in Federal aid could be a potent influence in resolving the present chaotic conditions created by the multiplicity of local governmental jurisdictions in most metropolitan areas. This multiplicity has led to suburban sprawl, land misuse, land speculation, and frequent failure of metropolitan area and regional planning as an effective tool for the control of new developments. Such a program could provide important leverage to establish coordinated local governmental approaches to control programs of area and region-wide significance. At the same time, it could foster decentralization of local governmental functions of strictly local application.

4. NHC believes that the foregoing grants should be generally restricted to communities that are simultaneously providing adequate housing for low and moderate income families, where the need for such housing exists.

5. As recommended in these Resolutions on other comparable programs, federal grants to larger cities for public and community facilities should be increased to  $\frac{3}{4}$  from the present  $\frac{2}{3}$ , since their need is as grave as that of small cities. For neighborhood centers, parks and recreational facilities in slum and ghetto areas, the federal grant should be 100%. Moreover, there should be annual fed-



eral grants to provide for the staff and operating expenses of such facilities. The neighborhood facilities centers in such areas should be permitted to include swimming pools—either indoor or outdoor—and gymnasiums.

6. NHC again recommends that the regional plan requirement for municipal water, sewer and other grants be waived in those instances where the improvements have no regional implications and where no regional planning mechanism exists.

#### CHAPTER N. URBAN MASS TRANSPORTATION

1. The President's message points out the urgent need to modernize, expand and reorganize the urban transportation systems. The message states:

"In the modern city the arteries of transportation are worn and blocked. The traffic jam has become the symbol of the curse of congestion. It was only a few years ago, however, that we recognized this as a national problem. We must step up this effort. In the year ahead, we expect to increase our grants to cities from \$140 million to \$190 million. I recommend that the Congress provide \$230 million for fiscal 1970 so cities can begin now to plan the improvement of their mass transit systems and service to the people."

2. We support the President's recommendations for an advance appropriation for fiscal 1970 in order to give cities more lead time for planning their mass transit programs. We recommend such advance appropriations for future fiscal years and for other urban programs to enable advance planning.

3. NHC recommends that the program of mass transit grants be increased to \$750 million per year for the next 5 years. The expansion of the program is necessary to achieve the housing and urban development goals recommended in these Resolutions.

4. NHC supports the President's proposal for a reorganization plan involving a reallocation of functions on mass transit as between the Department of Transportation and HUD.

#### CHAPTER O. URBAN TECHNICAL ASSISTANCE, RESEARCH, AND TRAINING

##### 1. The President's message

The President's message urges a program of research and technology for the cities. The message states:

"Federally-sponsored research has helped us guard the peace, cure disease, and send men into space. Yet, we have neglected to target its power on the urban condition. Although 70 percent of our people live in urban areas, less than one-tenth of one percent of the Government's research budget has been devoted to housing and city problems. We must:

"Learn how to apply modern technology to the construction of new low-income homes and the rehabilitation of old ones.

"Test these ideas in practice, and make them available to builders and sponsors.

"Look deep into the fiscal structure of the cities—their housing and building codes, zoning, and tax policies.

"Learn how best the federal government can work with state and local governments—and how states and local governments can improve their own operations.

"Evaluate our city programs, so we can assess our priorities.

"Last year, I sought the first major appropriations for urban research: \$20 million. Congress appropriated only half that amount. I once again propose a \$20 million appropriation for urban technology and research. This will assist the universities and private institutions of America to carry out the studies so crucially needed. These funds, along with those from other Government agencies, will also help launch the new Urban Institute, which I recently recommended. This is a private non-profit research corporation formed to create a bank of talent to analyze the entire range of city problems."

#### II. Research and technology for the cities

NHC supports the President's program of research and technology for the cities, including this request for a \$20 million appropriation. It also supports the request for an additional Assistant Secretary. It was previously indicated that this new Assistant Secretary would head an office for Equipment, Research, Technology, and Engineering. Presumably, such an Assistant Secretary would function in a manner proven successful in other governmental agencies. HUD should also serve as an information source for state and local governments and private industry. NHC supports the establishment of an Institute of Urban Development as a separate and distinct organization which would engage in seeking solutions to future urban problems and requirements.

#### III. Urban information and technical assistance

The 1966 Act recognized the need to assist the states to make available information and data on urban needs and assistance programs and activities; also, to provide technical assistance to small communities seeking to solve their urban problems. It provides for a federal grant of 50% of the cost of an Urban Information and Technical Assistance program. NHC supports Section 1103 of the Housing Bill of 1968 which would authorize an appropriation of such funds as are necessary to carry out the purposes of this program. When such funds are appropriated, they would continue available until expended. In the past, the appropriations have been only half of the amount needed and requested. NHC recommends an appropriation of \$5.3 million annually for this program.

#### IV. Grants for training and fellowships

1. The shortage of trained professional and sub-professional personnel in the broad field of community development has long presented a serious problem in achieving effective action programs. Unless corrected, this problem will become increasingly acute as the dimensions and pace of community development activities increases.

2. The Housing Act of 1964 contained a two-part program intended to combat the shortage. The first part authorized \$10 million, without fiscal year limitation, for matching grants to states. These grants were to be used by the states to assist in organizing, developing, or expanding programs to provide special training in skills needed by those persons employed or to be employed by governmental bodies responsible for community development and to support research required for housing programs and needs. The second part of the program contained an authorization for the appropriation of \$500,000 annually for a three year period beginning on July 1, 1964 to provide fellowships for graduate training of professional city planning and urban housing specialists.

3. These were important first steps in meeting this problem. NHC feels, however, that the amounts heretofore authorized for this program are clearly inadequate to do the job. It therefore recommends:

(a) That \$1 million a year be authorized for training under a 5-year program.

(b) That the fellowships be increased to \$2 million a year for 5 years.

(c) That additional funds be provided for the training of sub-professionals and professionals in the broad field of community development.

This would be done through the Institute of Urban Development proposed by the President. The grant ratios should be equal to those provided in Title I of the Higher Education Act of 1965. NHC also recommends that research and training funds be made available directly to local communities without any requirement for a local matching share.

4. NHC supports Section 1106 of the Housing Act of 1968 which would expand the training program to permit grants to states for the training of persons who would be employed by organizations in the field of housing and community development.

#### CHAPTER P. PROVIDING NECESSARY MORTGAGE FUNDS AT REASONABLE INTEREST RATES

1. Adequate mortgage financing at reasonable rates is necessary to restore strength and vigor to residential building in order to achieve production at the rate necessary to accomplish our 20-year goals. The housing industry has been subject to fits and starts as a result of recurring tight money conditions and increases in interest rates. Housing has borne the greatest brunt and suffered the greatest damage as a result of these conditions.

2. When interest rates rise, many people who need homes can no longer afford them—even though they could have afforded them previously when interest rates were at more reasonable levels. The increases in interest rates have been a significant factor in increasing the cost of living. The price indexes have shown continuing increases in the cost of housing. While fiscal controls were supposed to stop inflation, they have contributed to inflation by creating tight money and increasing interest rates and the cost of living.

3. With the general increase in interest rates, the present statutory ceiling of 6% is no longer competitive for FHA-insured or VA-guaranteed mortgages. Consequently, these mortgages are selling at substantial discounts, with serious injury to the consumer and homebuilder. Many housing projects are not built due to these conditions. To insure that home financing remains competitive with alternative long-term investment opportunities, the President has recommended that Congress authorize the Secretary of HUD to adjust the FHA interest rate ceilings. In his message, he stated:

"To assure a steady flow of funds into homebuilding, I recommend that the Congress authorize the Secretary of Housing and Urban Development to adjust the FHA interest rate ceilings to reflect the economic realities of the financial markets. I have already recommended a similar adjustment on the interest rates for home loans to veterans."

Although NHC is opposed to increases in interest rates, we believe it is necessary to adopt the proposed amendment to lift the 6% interest ceiling, so that the Secretary can fix an interest rate which will be more competitive and which will attract necessary financing for housing; provided, however, that this authority shall be limited to a two-year period. This increase would cover all programs with financing at market rates of interest, including those where the interest rate ceilings range from 5¼% to 5¾%. In the enactment of such legislation, Congress should obtain an assurance from the Administration that the interest rates would be increased by the minimum amount necessary. Thus, at the present time, we believe that the interest rate should not be increased above 6½%. If necessary, the Government should be prepared to support the market at the interest rate if such mortgages are not accepted in the market place at that rate plus a reasonable service charge. Once interest rates are raised, it will be difficult to reduce them. Accordingly, the Administration should endeavor to hold the line on interest rates at a reasonable level in the FHA-insured and VA-guaranteed financing programs for housing.

4. The Housing Bill of 1968 should be amended to require the appointment of a Commission of outstanding experts to make a comprehensive study with recommendations on the measures necessary:

(a) To assure the availability of an adequate supply of mortgage financing to pro-



duce the volume of housing required to meet the goals set forth in these Resolutions;

(b) To assure that such financing will be available at reasonable interest rates and charges; and

(c) To avoid recurrent crises in home building due to tight money conditions and increasing interest rates.

The report of the Commission should be made within one year, so as to enable the President, Congress and the Secretary of HUD to take necessary action before the end of the 2-year authorization for the increase in interest rates above present statutory ceilings.

5. In his message, the President proposes legislation to transfer the secondary market operation of the Federal National Mortgage Association to completely private ownership. The President's message makes it clear that this change will not affect the Government's special assistance to special types of mortgages which are not readily accepted in the private market.

6. NHC is seriously concerned about the effect of the proposed transfer of FNMA to private ownership. The public interest is vitally involved in the operation of a secondary market for FHA-insured and VA-guaranteed mortgages. The prices at which mortgages are purchased should not be determined by those who may be motivated by producing a better return for stockholders' dividends or for retiring the FNMA stock now owned by the Government. Mortgages should be purchased at reasonable prices in order to help protect the consumer against unreasonable increases in interest rates and to maintain a stable homebuilding industry. We believe that FNMA has performed an important service under its present system of ownership and operation. Its decisions have been influenced by the public interest and the welfare of the economy. We recommend against the transfer of FNMA to private ownership. We are in favor of continuing the present FNMA organization and operations in the secondary market as this will best protect the consumer and the public interest by maintaining interest rates at more reasonable levels.

7. NHC agrees with the President's proposal to attract additional funds to the housing market by insuring mortgage bonds that are secured by pools of FHA-insured and VA-guaranteed mortgages. In his message, the President describes this proposal: "Some private institutional and individual investors have shunned investments in home mortgages because they could realize nearly comparable rates of return in other investments, and avoid the bookkeeping and paper work associated with hundreds of individual mortgages."

"These pools of savings—in large institutional pension funds, private trusts, and occasionally in individual estates—can be attracted to residential finance. It will take a new, marketable financial investment, with competitive yields and security. Such a bond-type obligation can be created to cover federally-insured mortgages held by private mortgage bankers or trusts."

"To enhance the attractiveness of such an obligation to investors, and thus attract additional funds to the housing market, I recommend that the Congress authorize the Department of Housing and Urban Development to insure mortgage bonds that are secured by pools of FHA-insured and VA-guaranteed mortgages."

The program to insure such mortgage bonds should be made applicable to FNMA so that it could use this method of substituting private investments in the FHA-insured and VA-guaranteed mortgages which it holds as a result of its secondary market purchases. If FNMA were retained in its present form rather than being transferred to completely private ownership, this method of selling insured bonds secured by a

pool of mortgages would enable FNMA to recapture funds which should offset its investments in the mortgages under its secondary market operation.

8. Even under the new concept of the Budget, NHC believes that expenditures to purchase mortgages should be offset by funds realized through the liquidation or sale of such mortgages—either through individual sales of mortgages or through sales of bonds secured by a pool of such mortgages purchased by FNMA in the secondary market operation. Likewise, NHC believes that the sale of FNMA participations in mortgages should be reflected in the Budget as an offset to the expenditures for the purchase of such mortgages with special assistance funds. Only the differential in interest rates between the rate on the pooled mortgages and the rate on the bonds or participation certificates should be reflected as a net expenditure in the Budget.

9. Through the years, Congress has authorized FNMA special assistance funds for the purchase of mortgages on projects which accomplish desirable social objectives or otherwise promote the public interest. NHC recommends that the FNMA special assistance program be fully utilized for the purchase of such mortgages. This is a way to provide financing at reasonable interest rates and charges for projects which promote the public and consumers' interest. Thus, we urge that the following actions be taken on special assistance programs:

(a) The full balance of the FNMA cooperative Revolving Fund authorized in 1955 should be made available for the purchase of FHA-insured mortgages under Section 213. This financing has made it possible for middle income consumers to join together to help themselves get good housing through their cooperatives. This program reaches families who can only afford housing at the lower monthly charges achievable with cooperative economies and financing.

(b) The full balance of FNMA special assistance funds should be made available for the purchase of mortgages on projects located in urban renewal areas, nonprofit housing for the elderly and other moderate income housing.

(c) The full balance of FNMA special assistance funds should be made available for the purchase of insured mortgages on homes under Program 14.

(d) The Administration should implement the authorization for FNMA to participate with private lenders in construction financing for projects on which FNMA is authorized to utilize special assistance funds to purchase mortgages. The Administration has not implemented this law which was passed in 1966. NHC recommends that this be done as one of the measures needed to stimulate and expedite the building of housing for lower income families.

10. The Administration has impounded large amounts of special assistance authorizations, even though these authorizations were grossly inadequate to meet current needs. The failure to use Congressional authorizations has contributed to the denial of homes which are urgently needed by people of moderate incomes.

11. In addition to the immediate release and use of all the foregoing FNMA special assistance funds now authorized by law, NHC recommends that the revolving fund for FNMA special assistance should be increased by \$3 billion to provide the funds required for mortgage purchases on the foregoing housing programs and on the new and expanded programs described elsewhere in these Resolutions. Thus, special assistance funds should be available:

(a) To purchase FHA-insured mortgages under the new programs to be added to the National Housing Act as Sections 235, 236 and 237; and to purchase the cash flow debentures under the New Communities Pro-

gram; such special assistance funds should be available to buy these FHA insured mortgages and debentures in case they are not readily accepted in the financial market;

(b) To continue purchases of mortgages under the below market interest rate program of Section 221(d)(3) at any time that alternative financing with interest subsidies is not available under the new proposed Section 236; and

(c) To purchase FHA-insured mortgages or VA-guaranteed mortgages if they cannot be sold in the private market at an interest rate fixed by HUD as reasonable, without excessive discounts; such FNMA authorization to purchase these mortgages is necessary to hold the line as to reasonable interest rates and to avoid excessive charges.

#### CHAPTER Q. MEETING THE INSURANCE CRISIS OF OUR CITIES

1. The President recommends a program to meet the insurance crisis of our cities. The following excerpts from his message describe the proposed program:

"Insurance protection is a basic necessity for the property owner. But for the resident of the city's inner core and the local businessman who serves him, protection has long been difficult to obtain. The problem has been heightened by civil disorder or its threat. \* \* \*

"Last August I established a Special Panel to seek the solutions to this problem. \* \* \* The Panel recommended a comprehensive program of mutually supporting actions by the insurance industry, the States, and the Federal Government. My advisers and I have reviewed the Panel's proposals carefully. We believe they are sound."

"Accordingly, I call upon the insurance industry to take the lead in establishing plans in all States to assure all property owners fair access to insurance. These plans will end the practice of 'red lining' neighborhoods and eliminate other restrictive activities. They will encourage property improvement and loss prevention by responsible owners."

"I call upon the States to cooperate with the industry and, where necessary, to organize insurance pools and take other steps to cover urban core properties. These measures will assure that all responsible property owners can obtain insurance, and provide a method of spreading equitably throughout the insurance industry risks that no single insurer would otherwise accept."

"I recommend that the Congress establish a cooperative Federal-State-Industry program by chartering a National Insurance Development Corporation within the Department of Housing and Urban Development. \* \* \* The Corporation will perform a number of vital functions in support of the actions of private industry and the States to assure adequate property insurance in all areas of our nation's cities."

"Through the sale of reinsurance against the risk of civil disorders, the Corporation will marshal the resources of the insurance industry and add to this the backing of the states and the Federal Government. Without this reinsurance, many insurers and State insurance regulators do not believe the industry can move forward to provide adequate property insurance in urban areas."

"This program will assist the insurance industry and the States to offer adequate property insurance for the inner cities. Through reinsurance, the program can help the States provide for the contingency of any large emergency losses. \* \* \*

"Insurance is vital to rebuilding our cities. It is a cornerstone of credit. It can provide a powerful incentive for homeowners and businessmen to rehabilitate their own property and thereby improve the community."

2. NHC recommends approval of the President's proposal and the Insurance Development Bill of 1968 which would effectuate it.



CHAPTER B. PROGRAMS AND POLICIES FOR GENERAL APPLICATION TO HOUSING

*I. Equal opportunity for housing*

1. Throughout its entire life, NHC has been committed to equal opportunity for all American families to secure good housing in good neighborhoods. It again reaffirms this position. While recognizing the slow but significant progress that has been achieved in recent years, it deplores the fact that this opportunity is still denied to millions of American families throughout every section of the land because of their race, color, creed or national origin, or because of the myth which exists as to their desire, or ability to pay for and maintain good homes. To overcome this denial of opportunity and to dissipate these myths, a great challenge is facing the nation.

2. NHC has long supported the principle of a competitive housing market open to free bargaining by all American families without regard to racial or ethnic background. Many localities have been limited in achieving this objective, however, because of inadequate supplies of low and moderate cost living accommodations and by the congestion of many minority group families in limited sections of the community. To provide an adequate supply of housing, it is necessary to raise production to a minimum of 3,000,000 dwelling units per year.

3. We urge the President and the Congress of the United States to take all steps toward providing an equal opportunity for housing. This includes the adoption of such provisions as may be required in Title IV of the Civil Rights Act of 1968 to effectuate fully the foregoing open-housing objective of achieving equal opportunity for all American families to secure housing. We urge the Administration to take all necessary additional actions to achieve this equal opportunity objective.

*II. Relocation*

1. NHC has long recognized the need for coordinated relocation payments and practices within the various programs of the Federal Government. We have, therefore, given strong support to the Uniform Relocation Bill pending before Congress.

2. When homeowners or tenants are being displaced for urban renewal or other governmental action, there should be a Federal grant to provide adequate payments as equitable compensation to pay not only their moving expenses, but also to help them obtain decent homes elsewhere.

3. When a small business is being displaced through urban renewal or other governmental action, affirmative action should be taken to assist its relocation either within the urban renewal area or elsewhere. If it is to be relocated within the urban renewal area, there should be a policy to establish a rental for the small business which it can afford. In order to achieve this, an appropriate write-down should be made in the disposition of property under the urban renewal program. While it is recognized that there are allowances under the present legislation to cover the cost of relocation by a business which is displaced through urban renewal, we recommend this additional action to better assure the continuance of a small business that is being displaced. NHC also recommends the full implementation and use of the 1965 amendments to the Small Business Act for businesses which are being displaced by urban renewal or other governmental actions.

*III. Uniform system for computation of incomes by HUD*

1. At the present time, the methods of computing incomes differ in HUD, although the constituent agencies are administering comparable housing programs involving income limits. For years, public housing has allowed appropriate deductions or exemptions in computing the family income, such as:

(a) Deductions from the income of a secondary wage earner which recognize that there are expenses in earning such wages, so they do not represent a full increment to family income;

(b) Deductions for amounts paid for the care of children or sick or incapacitated family members when these are necessary to permit the wage earner to be employed; and

(c) Limited deductions for minors or dependent adults.

2. Although these deductions or exemptions are allowed in the public housing program, they are not recognized in the FHA program involving rent supplements or below market interest rates under 221(d)(3). NHC recommends that similar deductions and exemptions be allowed by FHA in computing family income in these programs. In the Housing Bill of 1968 relating to the new home ownership program, a deduction of \$200 from family income is allowed for each minor child and the earnings of all minor children are excluded from family income.

3. HUD should have a uniform system for computing incomes which would be used by all constituent agencies administering housing programs which involve income limits. To be fair and equitable, these should allow for appropriate deductions and exemptions of the character described above.

*IV. Rehabilitation in slum areas not intended as containment program*

Rehabilitation programs for slum areas are not intended to be containment programs which would restrict present residents so that they must continue to live there. They should have an opportunity to move into other areas. The NHC goals contemplate the development of new and rehabilitated housing in other areas which would be available for the low and moderate income families now living in slum and ghetto areas. To help assure the achievement of this objective, we recommend the enactment of legislation providing that no program of subsidy, aid, or assistance by any agency of HUD—including sewer and water facility grants, open space grants, community facilities grants, urban renewal programs, model cities programs, mass transit grants, and FH insurance—may be carried on within any jurisdiction if a reasonable share of housing will not be available for low and moderate income families. Such legislation would help assure the development of balanced programs of housing in new areas into which the residents of slum and ghetto areas could move.

*V. Adequacy of housing to be provided for low- and moderate-income families*

Federally-assisted housing programs are intended to provide adequate space and facilities and otherwise meet proper standards for low and moderate income families. To meet the needs of larger families, more housing units must be built of larger size and with more bedrooms. To meet the sanitary needs of larger families, there must be a repeal of the administrative limit of one-bathroom-per-dwelling unit in the rent supplement program. In climates with summers of much heat or humidity, air conditioning should be permitted. Provision should be made for the recreational needs of housing communities for low and moderate income families, including swimming pools. This will provide children with an opportunity to engage in wholesome and constructive activities instead of destructive ones. The foregoing measures to improve the quality of life in Federally-assisted projects will accomplish the objective described by the President in his message where he urged higher design standards in public housing developments so that "new projects can be pleasant places to live, reflecting the needs of human beings, with attention to comfort and convenience."

*VI. Uniform system on tax exemption and tax abatement*

1. In some HUD programs there is no requirement for tax exemption or tax abate-

ment. This is true in the new leasing program for the use of privately-owned housing for public housing purposes. It is also true in the rent supplement program for those of public housing incomes. Yet, conventional public housing projects are required to have tax exemptions with a payment of 10% shelter rent in lieu of taxes. We previously recommended that conventional public housing projects be brought in line with those other publicly assisted programs which serve low income families. This would be done by permitting a payment in lieu of taxes which would be equivalent to full taxes.

2. There should be a more practical and consistent policy concerning the requirement for tax abatement on privately-owned projects assisted with below-market-interest rates or interest subsidies. Tax abatement should not be required on these projects, even as a means of offsetting the higher costs that prevail in some cities. Such tax abatement is often unavailable because of restrictions in state and local laws; moreover, the cities often face serious problems of inadequate tax revenues and are unwilling to grant tax abatement. Cost limits should be made realistic so that these private housing programs can function in high cost areas without requiring tax abatement.

*VII. Disposition of federally owned housing projects*

1. FHA has acquired ownership of rental housing projects upon which defaults have occurred. When requested, FHA should either lease these projects to local housing authorities for public housing or make negotiated sales of these projects for cooperative ownership by low income or moderate income families. Also, sales may be made to public agencies or nonprofit or other properly motivated organizations which will use them to provide housing for low or moderate income groups. The housing should be sold at a price and with a mortgage term and interest rate—on the purchase money mortgage accepted by FHA—which would enable the property to serve these income groups at monthly charges which they can afford. When necessary, financing should be made available to rehabilitate these properties. Such properties should be eligible for rent supplements and interest subsidies. These recommendations also apply to other federally-owned housing.

2. FHA has also acquired ownership of single-family homes on which defaults have occurred. In the disposition of this housing, FHA should meet the needs of those of low and moderate incomes. The housing should be sold to them at a price and with a mortgage term and interest rate—on the purchase-money mortgage accepted by FHA—which would be within the financial reach of the low and moderate income purchasers. Priorities should be established for sales which would accomplish this purpose, rather than granting priority to cash sales or sales involving conventional loans, as these generally involve purchasers with incomes above those at the low and moderate level. Legislation should be enacted if it is necessary to establish disposition policies in accordance with the foregoing principles.

*VIII. Opposition to "block grants"*

NHC reaffirms its policy position opposing untied federal block grants and favoring federal grants tied to program objectives. While there are untied supplemental grants in the model cities program which we support, they differ from the proposed "block grants" to the States because:

1. Supplemental grants in the model cities program are provided as a means of giving cities an incentive to develop programs for the improvement of entire neighborhoods.

2. In contrast to the proposed "block grants" which would go to the States, model cities grants go to the cities.



**IX. Federal controls on interstate sales of real estate**

1. NHC supports the previous legislation introduced by Senator Harrison Williams of New Jersey which would provide for a full and fair disclosure of the nature of interests in real estate sold through the mails and by communications in interstate commerce. This proposed legislation would prevent fraud and misrepresentation in the sale of such real estate.

2. In hearings before the Senate Subcommittee on Frauds and Misrepresentations Affecting the Elderly, it has been shown that there are increasing instances of deception and fraud upon the unwary public. The Williams measure would provide effective protection of the public from being bilked into buying lots which are located in uninhabitable deserts, swamps or other undesirable areas.

**X. Acceptance and accumulation of applications for programs**

HUD has discouraged the submission of new applications in programs where a backlog of unsatisfied applications exists. NHC is strongly opposed to this discouragement of applications for HUD assistance. Even when there is an unsatisfied backlog of applications, HUD should continue to accept applications. There is no better way by which HUD can learn the needs and demands for programs which it administers, so that it can document and support requests for necessary Congressional authorizations and appropriations.

**XI. Construction work for unemployed in ghetto areas**

Increased construction volume will require substantial increases in the work force. The large pool of untrained unemployed within the ghetto is a large source of additional manpower. There should, therefore, be a massive program to accelerate the training of unskilled groups and to broaden their opportunities for employment in the construction industry.

**XII. Support for international programs for housing**

1. NHC is aware of the critical housing problems elsewhere in the world, particularly in the developing countries. We urge continuation and expansion of our Government's foreign aid programs for housing in the developing countries, particularly cooperative housing to provide ownership by moderate income families as contemplated by the Humphrey Amendment to the Foreign Assistance Act.

2. Further, we urge our Government to support efforts: (a) to elevate the importance of housing in the economic development process by supporting efforts to establish, within the framework of the United Nations, a specialized international agency dedicated to solving the housing problems of the developing countries; and (b) to increase U.S. financial support to U.S. universities and other institutions for research and training programs to help solve these housing problems and supply the trained personnel so badly needed.

3. NHC applauds the leadership provided by the United States in the adoption of a resolution by the United Nations Social Development Commission giving emphasis to a demonstration program for the improvement of squatter areas; also, the resolution calling for a study to establish an International Housing Year.

**XIII. Extension of FHA authorizations**

The FHA authorizations should be extended beyond their present expiration date of October 1, 1969.

**XIV. Appropriations requested by administration**

NHC strongly recommends Congressional approval of the budgetary requests of the Administration for HUD programs. These

funds are urgently needed to meet the critical problems of our urban areas and the shortage of adequate housing for persons of low and moderate incomes. We further recommend the additional appropriations described elsewhere in these Resolutions.

**CHAPTER 5. NEED FOR EFFECTIVE INSTITUTIONS, ADMINISTRATION AND FEDERAL-LOCAL RELATIONS**

1. In itself, the enactment of adequate legislation will not achieve the goals set forth in these Resolutions; nor will it meet the needs of the American people or the crises in our cities. Laws are not self-executing. It is necessary that the legislation include a mandate which will assure the establishment of effective institutions, administration, and federal-local relations. NHC recommends that legislation be enacted which would require the following actions by HUD to assure the effective execution of laws relating to the programs under HUD's jurisdiction.

2. HUD should redefine its role to concentrate on major policies and on constructive leadership in executing federal laws and to grant greater local autonomy to local governments and agencies in undertaking and operating projects involving HUD aid. NHC believes this HUD role would constitute creative federalism. The expenditure of federal monies should be subject to broad federal guidelines. Through the years, there has been a continuing increase in the burden and detail of HUD controls over local operations in the conduct of HUD-aided programs. All HUD controls should be eliminated which are not required by federal law. We will never achieve the volume and expedition required in programs authorized by the Congress unless there is a decentralization of responsibility to the local agencies involved. The local agencies can properly be held to account for their responsibilities under programs. There is no reason to assume that there is any less integrity and competence in local officials than in federal officials.

3. HUD should accelerate processing, production and decision-making by federal and local officials and by participants in all HUD programs, including the establishment of time schedules for all actions required. There should be a time limit for submission of applications by local agencies and a time limit for HUD action in approving or rejecting applications. However, qualified applications should not be rejected because of technical or insubstantial reasons, lack of money or lack of a priority status according to a schedule established by HUD; likewise, applications should not be rejected in order to remove them from the pending work load. On the contrary, there should be a HUD policy to encourage the filing of applications and the accumulation of a shelf of projects which would be ready to go if and when adequate funds become available. All qualified applications should be accepted and processed and held in a state of readiness so that Congress can be currently informed as to the backlog and demand for HUD programs.

4. After applications have been approved and allocations made, there should be a time limit for contracting and execution. With respect to requirements for HUD approval after a contract or commitment is issued, there should be a recognition that HUD has a certain period within which to act; and, failing such action on matters requiring HUD's approval, the proposal to HUD shall thereby be accepted and considered approved.

5. HUD should act promptly in making allocations and commitments of all authorizations and funds made available by Congress. Such allocations and commitments should be based upon:

(a) The requests that are received within a designated time which meet the applicable statutory requirements; and

(b) The respective needs of the communities involved.

There should be no impounding or holdback of funds. The money should be allocated and committed as quickly as possible. All monies should be made available based upon the qualified requests that are received within a prescribed time limit. The guideline should be the need for the program in the community involved.

6. HUD should simplify its regulations and conditions attached to HUD aid and eliminate the detailed controls over project development and operations. Such controls are overly burdensome, costly, and time-consuming. They discourage initiative and innovation. They are inconsistent with the achievement of the goals recommended in this report.

7. HUD should eliminate conflicting policies and requirements among its different units, as applied to comparable programs. For example, the methods of determining incomes under the Public Housing Program administered by HAA are different from those under the rent supplement and below-market-interest-rate programs administered by FHA. Some of these inconsistencies are due to administrative regulations while others may be due to provisions in existing laws.

8. HUD should consult with representative groups of local public agencies and private participants in each of its programs to identify problems which impede their progress and to develop workable solutions. For this purpose, HUD should establish:

(a) A federal-local committee on public housing and urban renewal; such a committee functioned effectively for years until it was discontinued.

(b) A federal-city committee on the model cities program.

(c) Like committees of representatives from the participants in each program; thus, there should be a restoration of the committee of representatives of cooperatives participating in FHA programs.

Each such committee would meet periodically to give HUD first-hand experience concerning the operations of the HUD-aided program involved. Such consultation should result in quick and realistic action in eliminating obstacles and solving problems. Otherwise, such obstacles and problems are long-neglected, often because they are not known or because HUD does not get proposals for solutions from those directly engaged in the program.

9. In the proposed legislation, Congress should require a report from HUD within six months (a) on the actions taken by HUD to comply with the legislation; and (b) on any changes required in existing laws to achieve the stated objectives.

**TRIBUTE**

Ernest J. Bohn

Lawyer, housing and planning official, state legislator, city councilman, author of the first state enabling legislation in the nation for low-rent public housing, a founder and first president of the National Association of Housing and Redevelopment Officials, advisor to Presidents, Governors and Mayors, and counsel to the world court of public opinion in behalf of the underprivileged—Ernest J. Bohn is returning his commission as Director of the Cleveland Metropolitan Housing Authority after more than a third of a century of selfless public service.

When Ernie Bohn first rallied the people, nation-wide, who were concerned with slum sickness that threatened the life of cities, their numbers were so few that they tell of caucusing in a telephone booth. Now, his co-workers are legion wherever man seeks social, economic and political equality. When he conceived low-rent public housing as a basic tool for social progress, Ernie Bohn rejected the concept of institutional living in projects, and built communities of homes called "estates". He has devoted his working life to creating physical and social environ-



ments where people live with dignity, and where democracy and freedom flourish.

Members of the National Housing Conference, assembled for their 37th Annual Meeting, honor Ernest J. Bohn for his countless contributions to the welfare of his city, state and nation, and respectfully suggest that his counsel is more essential to the people's welfare now, than ever before.

By honoring Ernest J. Bohn, members of the National Housing Conference reaffirm their dedication to the goals for America which he has articulated so clearly and for which he has fought so long, and pledge their continuing enlistment under his dynamic leadership.

*Walter Mayes Simmons*

Walter M. Simmons, executive director and secretary of the Memphis Housing Authority since 1938, died after a long illness on February 22, 1968. The greatest monument to his thirty years of service, is the rebirth of his beloved City of Memphis. Thousands of Memphis families live in good homes in good neighborhoods because Walter Simmons never faltered in his efforts to create communities where his less fortunate neighbors could live with dignity. As Chairman of the Memphis and Shelby County Planning Commission, he set a constant goal of making no little plans. As director of the urban renewal program in his city he carried out those plans, added hundreds of millions of dollars in physical values to Memphis, while helping to create one of the most viable, and exciting, cities in the nation.

Walter Simmons is missed by his colleagues from coast to coast. His loyalty to the National Housing Conference, and his efforts to strengthen the hand of this organization on the national front, are major reasons that members of NHC are able to meet for their 37th Annual Meeting on March 3, 1968. By official action of its membership, the National Housing Conference extends its deepest sympathy to Walter's family on their great loss. Walter was one of NHC's most effective members, whose name will long be cherished. In his honor the membership of the National Housing rededicate themselves to a continuation and expansion of the housing and urban development programs and concepts that he sponsored and administered so brilliantly.

*Honorable Brent Spence*

Elected to the House of Representatives from Kentucky in 1930, Brent Spence served his district, state and nation for thirty-three years as a champion of all people, particularly those who today are termed the disadvantaged. He served on the House Committee on Banking and Currency, and fought for passage of every housing and urban development law that has been written into national law. He was Chairman of the Banking Committee for 18 years, and was author in the House of Representatives of the Housing Act of 1949 which stated as national policy that every American family is entitled to a decent home in a decent living environment.

In September of 1967 the nation was saddened by the death of Brent Spence at the age of 92. While members of the National Housing Conference mourn his loss, they rejoice that for more than thirty years they were permitted to serve under his inspired leadership and to assist him in achieving legislative action that brought good housing to millions of American families.

Assembled for their 37th Annual Meeting, members of the National Housing Conference extend their deepest sympathy to members of his family.

By Resolution of the Membership of the National Housing Conference, Washington, D.C., March 3, 1968.

## THE SHORTAGE OF AIRPORT FACILITIES

Mr. FANNIN. Mr. President, much is being said and written about the critical shortage of airport facilities against a background of a growing volume of commercial and general aviation.

Recently, Mr. Cyrus S. Collins of American Airlines reported on this subject in a paper entitled, "Challenges Facing the Air Transportation Industry." This report was made to the Southwest Transportation Seminar at Tempe, Ariz.

Because this is a problem which demands a solution I would like to call it to the attention of the Senate and ask unanimous consent that this speech be printed in the RECORD.

There being no objection, the speech was ordered to be printed in the RECORD: CHALLENGES FACING THE AIR TRANSPORTATION INDUSTRY

(By Cyrus S. Collins, vice president, public affairs, American Airlines, Inc., before Southwest Transportation Seminar, Tempe, Ariz., February 2, 1968)

Dr. Duriez, fellow panelists, and guests, I am delighted to be here and honored to participate in this seminar, representing the airline industry.

The airlines are the youngest segment of scheduled transportation. We are also the fastest growing, and with expenditures last year of just over \$2 billion for new plant and equipment, we have taken over the industry lead as measured by quantity of new investment. The airlines now account for about 3% of total U.S. private investment. As we approach economic maturity, and can no longer absorb constantly increasing labor and material costs without reflecting these increases in our fare structure, we have much to learn from the experience of other segments of the transportation industry, and in particular, the railroads. For that reason, too, I welcome the opportunity to be here today.

Before I comment on our chief areas of concern for 1968, let me draw a couple of interesting comparisons from the history of transportation right here in Arizona. I understand that the first scheduled transportation in this area began in 1857 when the San Antonio and San Diego Stage Company started operations. One of their advertisements stated, "Passengers and mail are forwarded in New Coaches drawn by six mules over the entire length of our line, except from San Diego to Yuma, a distance of 180 miles, which we cross on mule back."

The fare from San Diego to Tucson was \$125 and it included the guarantee that an armed escort would accompany the stage coaches through the Indian country.

We have made some improvements in speed and comfort and effected certain economies, including elimination of the armed escort, and can offer the same trip today for \$27.60.

Transportation in the southwest became big business shortly before the Civil War. The Overland Mail Company connected the western terminus of the Missouri Pacific Railroad at Tipton, Missouri with San Francisco. The company had 100 heavy Concord coaches, 1000 horses, 500 mules and 750 employees. Its government contract required the line to make the 2750-mile trip in 25 days, and I understand they had a splendid record of schedule performance and usually made the trip in only 23 days. Lack of competition often permits a conservative scheduling policy, but this was good performance.

But the Overland Mail operation did not succeed in attracting sufficient traffic to show

a profit from passenger revenues, so the Federal Government subsidized the mail service. It was quite a subsidy, and had to be, because the cost of delivering mail from coast to coast averaged about \$65 per letter.

You would be surprised at the number of people who think that the Post Office still subsidizes the airlines for the carriage of mail. Actually, in our view, the pendulum has swung a little too far in the other direction. At the old 8-cent air mail rate the Post Office kept 7.3 cents and gave the airlines .7 cents. At the new 10-cent rate the Post Office keeps 9.4 cents and the airlines receive only .6 cents. And when first class mail moves today aboard an airliner, the Post Office keeps 5.85 cents of the cost of the new 6-cent stamp, and we get 0.15 cents.

Instead of receiving, we seem to be on the giving end, and that's part of our problem.

Rapid growth has been the story of recent airline success, but it is also the root of two of our most pressing problems, both of them calling for careful consideration in the formulation of federal policies for the immediate future.

These two problems, which I will discuss briefly today, in the context of our seminar subject, are:

First, the profit squeeze; and

Second, the growing congestion at our larger hub airports and on the surrounding airways.

There is nothing new about the concept of a profit squeeze, either in the economy at large or in the transportation business, which has had its fair share of this problem at various periods in the past.

What makes the squeeze on the airlines today a matter of rather special concern is a combination of two factors. It is developing against a background of an extraordinary growth which has seen our industry almost double in size every five years, with future growth projected at a corresponding pace, despite the larger base. The second factor, resulting from the first, is our industry's truly awesome projected requirement for new capital.

During the ten-year period 1957 to 1966 the average annual growth rate in passenger traffic of the major U.S. airlines was 12.5%. For the next five years through 1971 the average annual growth rate is forecast to be 13.8%. And cargo traffic is growing even faster. The average annual growth for the 10 years through 1966 was 19.2%, and the industry anticipates an annual growth rate of 21% for the next 5-year period.

To accommodate this growth the 12 major U.S. airlines are planning to spend \$10.5 billion in the next 5 years. Ground support equipment will be a significant part of this total. Of the \$10.5 billion, \$1.7 billion or 16.2% will go for ground support equipment such as new reservations systems, baggage handling facilities, cargo handling facilities, and additional equipment required to handle the Boeing 747's and the new jumbo Trijet aircraft.

Capital expenditures this year alone will grow to a new high—\$2.7 billion dollars, of which more than \$400 million will be for ground support equipment. A substantial amount of the planned capital expenditures for each of the next five years will go for advance deposits for aircraft to be delivered in subsequent years. We are already making advance payments for the Boeing 747 in installments over a three year period with 50% of the purchase price met six months prior to delivery. There are presently 100 747's on order by the 12 major carriers. The carriers must deposit \$1 billion in progress payments on 747's alone prior to delivery. The money of course will not earn any return for the carriers before the 1970's.



We paid \$5 to \$7 million for each 727 or 707. The new jumbo Trijets will cost \$15 or \$16 million, and the 747's come to over \$20 million per plane.

The cost of all flight equipment in service at the beginning of 1967 was about \$5.5 billion. With the present program for the next 5 years, the airlines have committed themselves to an investment nearly 200% of the value of the entire fleet at the beginning of 1967. Yet the projected industry growth rate on which the equipment purchases are planned is not out of line with the last five years of history, and with the higher unit cost of new aircraft.

So, you may ask, what are we worried about?

Quite simply, our revenues, although climbing rapidly are not keeping pace with our expenses. The reason is clear.

The simplicity and efficiency of the turbine engine, and the genius of the engineers who designed today's jet aircraft have enabled us to reduce unit costs, which we call costs per revenue and available seat mile, despite the upward spiral in the costs of the wages we pay and the materials we buy. This lowering of unit costs has permitted us to make actual decreases in passenger fares and freight rates.

Measured against a 1957-1959 base of 100, the average cost of all items in the consumer price index was 117.1 for 1967. Services, reflecting higher labor costs, were up even more, and public transportation as a whole was up to 133. Air fares for domestic trunk carriers measured against the same base, were 98.7, and our air cargo rates were 94.4. These lower fares have stimulated traffic, but there are clear signs that we have gone about as far as we can go, because unfortunately our ability to continue to pass on to our passengers the benefits of lower unit costs has come to an end. Our unit cost levels have bottomed out. The fleet conversion to jet aircraft is almost completed, and the new generation of jumbo jets and SST's in a mix with existing fleets does not promise any dramatic change in this pattern.

Much attention has been given to the recent favorable earnings record of the trunk airlines and yet in only one of the last 12 years have the carriers as a group exceeded the CAB's allowable fair rate of return of 10.5% on total investment. With an ever increasing investment base, American's 1967 earnings reflect an actual dollar decline from 1966, and we will be happily surprised if this year's results are as good as 1967's. Since we must maintain a satisfactory rate of earnings to protect our credit rating and our ability to sell securities or make new borrowings to meet our capital requirements, it is easy to see the cause for our increasing concern.

We believe the industry and the CAB will have to face up to the problem of inadequate return on investment caused by low fare yield before this year is out.

The second problem, that of congestion on the airports and airways, is receiving increasing attention, not only from us, but from the Administration, the Congress, and the airport operators, who are directly concerned and who have more power than they perhaps realize to find solutions.

It may, in a sense, be somewhat anomalous to talk about airport and airways congestion here in the southwest, where it is not yet a problem. And yet, the situation is so threatening to our industry, and in such need of careful examination in the determination of federal policy, that it seems to me to be appropriate for discussion at this seminar. It has furthermore been the object of some highly pertinent and thoughtful pronouncements by the new Department of Transportation. This policy statement deserves careful attention; I will comment on it in greater detail after describing the nature of the problem.

It is increasingly apparent that demand for airport runway use is exceeding supply. This excess of demand over supply is leading

to serious operating delays, most of them at the 23 largest hub airports. Two years ago, the Federal Aviation Administration estimated that these delays were costing the airlines some \$40 million a year. The added cost to the individual passengers who are delayed is harder to calculate, but it is obviously high and getting higher.

Congestion and delays are not limited to the ground. They occur in the air as aircraft are stacked in holding patterns, some of them far removed from the airport. These patterns often stretch back so far as to interfere with traffic patterns in distant cities, and it is not unusual for a congested pattern in New York to delay the departure of an aircraft from a city as far away as Chicago.

It is often assumed that the growth of airline traffic is the principal cause of this congestion. It is indeed one of the causes, but when we examine the total growth record in air transportation we can readily see the significance of another cause: the even more impressive growth rate of private flying, usually referred to in our industry as "general aviation".

Today the private aircraft fleet for outnumbers the airline fleet, and is growing considerably faster.

In 1956 the airline fleet totaled 1881 aircraft. The private fleet totaled 63,000. Today there are about 2400 airline aircraft, but the private fleet has risen to over 100,000. Looking ahead 10 years we estimate that the airline fleet will total about 3500 planes, while the private aircraft total will reach 180,000.

The private fleet is not only larger, but is far exceeding the airlines in flight hours. The airlines flew 3,800,000 hours in 1956. Private flying totaled over 10,000,000 hours, or 73% of the total. The private flying percentage has risen to 78.5% today, and is not expected to diminish in the next ten years in spite of the impressive growth of the airlines.

This rapid growth in private flying is also reflected in percentage of use at our leading airports. At these airports, those with FAA control service, the airline percentage of total use has dropped from about one-third in the early fifties to 20% today. It is projected to drop further, to only 12% ten years from now.

One reason for this trend is the use of larger aircraft by the airlines. Much of our growth is being accommodated without a proportionate growth in the number of operations. The average number of seats on each airline plane operating out of New York was 52 ten years ago. It is now over 90, and will reach 111 by 1970, and 156 by 1975.

Those of you who travel frequently on the airlines probably think of Friday as a bad day to fly. Delays are worse on Fridays, and much publicity was given to the famous black Friday in New York a few years ago, when weather and congestion combined to grind our operations nearly to a halt. It is true that airlines carry more passengers on Fridays, but this affects only the volume inside the terminal buildings. In terms of total operations, the airlines fly only one percent more schedules on Fridays than on Mondays, Tuesdays, Wednesdays and Thursdays. So the congestion on the runways is not due to increased airline operation, but rather to the perfectly natural inclination of the private flier to come and go on his own business at the same peak hours our passengers chose to arrive and depart on theirs.

Private flying gives us concern under two other headings. One is safety. This is a direct effect of differing operating standards. Although some corporate aircraft in the private fleet and most of the air taxis are flown by professional pilots whose training and whose records approach airline standards, there is still a dangerous difference in minimum standards. A 17-year old boy, who is not permitted to drive to or from the airport, can land his own plane at LaGuardia or O'Hare at night or during the hours of peak airline use. Seventeen year old boys have not presented us with a large problem, and I use the ex-

ample only as an illustration of the differing minimum standards and their obvious relationship to safety.

Airlines require full instrument flying capability, complete navigation systems, with transponders for positive air traffic control. We have two pilots in the cockpit, both with air transport and instrument ratings for all-weather operation. The minimum requirement for private flying in the same locations under visual flight rules is a radio and a single pilot with a private license.

Airline pilots receive recurrent training on a continuing basis. They must obtain an FAA rating for every new type of equipment flown and must pass semiannual proficiency checks. The private pilot is not required to undergo any training beyond that needed for his private license.

The physical exam for private pilots is less rigorous than that required for a truck driver operating across state lines.

It seems obvious to us that standards for private flying in and out of airports serving large numbers of airline jets must be upgraded to approximate as closely as possible the standards of the airlines.

The last of our problems with private flying relates to the costs of operating airports and the nation's airways.

Most hub airport costs are almost totally underwritten by the landing charges paid by the airlines and passed on to the passenger as a part of the cost of his ticket. The small private plane pays an insignificant minimum landing charge, usually less than \$10. Yet the private plane takes as much or more time on the runway than does the airline plane, which pays landing fees many times higher.

Similarly, the airline passenger, paying a 5% tax on his ticket, is paying his share of the cost of the nation's airways. The private pilot pays only a small gasoline tax which produces only about one percent of the annual cost of operating the airways.

Clearly the private pilot is getting a free ride. We would have no objection to that, nor would the public using the airlines, if it were not for the congestion, related expense, and added delay—and the safety hazard—that results from private use of the large hub airports at peak hours.

It is far less expensive to build small airports to accommodate private aviation than to invest the half billion dollars required for new airline jetports. A well-equipped private airport can be built for one-twentieth of the cost and on less than one-twentieth of the land required for the airline jetport.

Construction of new satellite private airports is essential, and there are many existing facilities that can be upgraded or used in their present state by private fliers. But only by restrictions placed on airport use by the airport operators, or by higher safety standards, or by user charges reflecting the true cost of use—time on the runway, or preferably by all three, can this problem be resolved.

We do not feel it is fair to our passengers, the people who cannot afford to own their own planes, to ask them to subsidize those who can.

Fortunately the new Department of Transportation is focusing on the problem. I referred a few minutes ago to an extremely significant policy statement on this subject. It was contained in a speech made last November by the Assistant Secretary of Transportation, Cecil Mackey. I quote:

"As with any scarce resources, airport capacity and airspace capacity must be allocated in a way which takes into account the productivity of the users in the light of our overall transportation objectives. This means that allocative techniques must be established that yield the greatest return on our investment.

"Normally in our private enterprise economy, this process, which is in effect a rationing process, is carried out by the price



system. But here, in air transportation, where the Federal Government controls the airspace system, and governmental units of one kind or another own and operate many of the airports, the price system is only marginally applicable. Instead, public policy at each level must establish the necessary combinations of pricing and regulatory techniques that will ration the resources so as to gain the greatest possible use.

"In the case of airports, there has been virtually no use of regulation to relieve congestion or increase efficiency. Where charges have been imposed, generally in the form of landing fees, the objective has been simply to 'pay' for the facilities. The notion of rationing; i.e., the deliberate manipulation of charges and other devices to increase capacity, improve productivity, relieve congestion or achieve greater efficiency, has literally played no significant part in our provision of air transportation facilities.

"All too often local authorities have not been willing to take the steps which in our economy are normally considered quite logical to solve either their financial problems or their congestion problems. Frequently aviation has simply not been assigned a very high priority at the State or local level nor has there been a willingness to levy charges on all users consistent with the facilities and services offered or desired.

"The Department of Transportation recognizes that the problems associated with aviation growth cannot be solved simply by unlimited additions of concrete and electronic gear. The problem is basically that of allocating scarce resources and must be dealt with in those terms. This is the approach that we will be taking. We will encourage both private and public authorities to use their initiative and imagination in dealing with those aspects of the problem which can best be handled at the local level."

The concept of establishing user priorities, of allocating scarce resources in the public interest may appear basic and self-evident, but it reflects a thinking almost totally absent from the aviation scene during the years of helter-skelter growth. It is an example of simple logic and a perceptive approach that must emerge as we undertake a systems study of our problems. The systems concept was implicit in the creation of the new Department of Transportation, and we welcome it as we look to continued progress in the development of federal transportation policy.

A few weeks ago Bob Bedingfield, the *New York Times*' able transportation writer, started a feature article as follows:

"The transportation industry, coming out of a year of constantly rising wage and material costs and facing another with even steeper increase in sight, views 1968 somewhat as an uncommonly intelligent turkey might view the month of November."

We know what he means. But despite the problems I have outlined and several others I have not had time to mention, we expect to survive November 1968 and many future Novembers as well.

Thank you.

#### THE FINANCIAL STATEMENT OF SENATOR MOSS

Mr. MOSS. Mr. President, in accordance with a practice I adopted several years ago, and have followed faithfully, I am again making public disclosure of my income and assets. The fact that the U.S. Senate will shortly consider the report and resolution on ethics has not in any way triggered this disclosure. I simply feel that this is an appropriate time to do the job.

Since I have practically no income beyond my Senate salary, and my assets

are very modest, some of my colleagues may wonder why I am making this information public. I am doing so because I feel that all public officials owe it to their constituents to report to them, at regular intervals, their full income and assets, and I do not want to be in a position of calling on others to make a disclosure which I have not made myself.

My total income for 1967 was \$34,922. Thirty thousand of this was my salary, and the additional \$4,922 came from honorariums for speeches, consulting fees, stock dividends, and royalties on my book "The Water Crisis."

My total assets at this time are \$43,704.20, which includes the equity on my homes in Salt Lake City and in Chevy Chase, Md., my saving and building association accounts, two Utah building lots and my family car.

My liabilities total \$56,481.18, consisting mostly of the mortgages on my two homes, and loans connected with the purchase and renovation of the Salt Lake home.

All amounts are approximate. My wife has no additional income or earnings.

Following is a complete listing of my income and assets for the calendar year 1967:

#### Financial statement, Mar. 15, 1968

(All amounts approximate)

ASSETS	
Savings, Oriental Building Association	\$2,504.20
Checking account, Riggs National Bank	1,000.00
Lot in Holladay, Utah	750.00
Lot in Salt Lake City, Utah	8,000.00
1965 Ford Mustang	1,200.00
5 shares stock, Standard Oil Co. of California	250.00
Equity in home in Salt Lake City	10,000.00
Equity in home in Chevy Chase, Md.	20,000.00
Total	43,704.20
LIABILITIES	
Mortgage on Salt Lake City home	21,000.00
Mortgage on Chevy Chase home	19,239.00
Personal note due in 1971	10,000.00
Loans on insurance policies	6,242.18
Total	56,481.18
INCOME	
All income for 1967, including \$30,000 salary, honorariums, consulting fees, stock dividends, book royalties, etc.	34,922.40

#### WHAT WHITE AMERICA MUST DO

Mr. HARTKE. Mr. President an editorial in the just-out Saturday Review issue dated March 16 is devoted to the urgent problems of the cities. The article, titled "What White America Must Do," is written by the magazine's special consultant on urban affairs and author of the book, "Cities in a Race With Time," Jeanne R. Rowe.

Mr. President, I ask unanimous consent that this penetrating discussion, dealing with the problem of our "race with time" before another so-called long hot summer, may be inserted in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

#### WHAT WHITE AMERICA MUST DO

(EDITOR'S NOTE.—Jeanne R. Lowe, author of "Cities in a Race With Time," is special consultant on urban affairs to SR.)

On the whole, the massive report by the National Advisory Commission on Civil Disorders is a brave and basic document—far better than progressive Americans, white or black, had expected. It even drew a hopeful response from Black Power spokesmen. Yet the aftereffect of reading the commission's historic indictment of white racism as the "fundamental" cause of Negro rioting, and its detailed (too familiar) description and (bigger but still familiar) prescriptions for steps to alter ghetto conditions is a terrible letdown. Where do we go from here?

The crucial question remains unanswered: What can be done to prevent recurrent rioting and even open rebellion? The commission's proposals provide a blueprint for comprehensive action on causes. But they do not tell us what should be done now to reduce the possibilities of bloodshed in the cities this summer. Nor does the report detail the causes of or prescribe cures for the underlying erosive factor of racism.

A timebomb is ticking in the cities. Tensions, resentment, and militancy grow among Negroes who are cynical about a national government that has cut back such essential programs as the youth Job Corps and training, and about local governments that have done nothing since last summer except beef up their police arsenals. The commission has handed the country a laundry list of unexceptionable programs so massive and manifold that action on all but a few before summertime is clearly impossible.

We can do virtually nothing between now and June to win the war on poverty, or to undo the multiple burdens of discrimination and segregation detailed by the commission. What is possible, and what must be done, is to buy a little time by giving substance to the faith that the majority of Negroes still have in this country through a major demonstration of our commitment to new national priorities and full equality.

We must take immediate dramatic steps, backed up by the most effective legislative programs, to close the credibility gap that steadily pushes black America further away from white America and breeds violence.

Whitney Young of the Urban League is right in declaring that the Negro problem has been studied to death and that the time has come, instead, to study the problems of white America. For as Swedish social economist Gunnar Myrdal found so clearly some twenty years ago in his study of the Negro in America, "the Negro problem is predominantly the white man's problem," and, "All our attempts to reach scientific explanations of why the Negroes are what they are and why they live as they do regularly led to determinants on the white side of the race line."

For generations, Myrdal wrote in *An American Dilemma*, the majority of Negroes, although subordinated and suffering the consequences of the failure of America to live up to its creed of equality, justice for all, and the essential dignity of man, were "under the spell of the national suggestion." The summer-time riots indicate that the new, young, urbanized and more educated Negro has fallen out of the spell; he has lost faith.

What can America do now—between now and June? To begin with, we can certainly stop debating spending priorities between Vietnam versus the cities, and a tax increase versus inflation, as though these were the only alternatives. Doubtless a tax increase will be needed, but within the proposed current federal budget the Administration and Congress can cut back major nonessential, nondefense spending and divert billions into crash programs for cities. This shifting of funds and priorities will demonstrate to black







Senate

May 15, 1968

-3-

11. HEW. Both Houses received the annual report of HEW for fiscal 1967. pp. H3867, S5619
12. PERSONNEL. Both Houses received from Transportation a proposed bill to authorize the payment of expenses of preparing and transporting to his home or place of interment the remains of a Federal employee who dies while performing official duties in Alaska or Hawaii; to Government Operations Committees. pp. S5619, H3867
13. COUNTY COMMITTEES. The committee report on S. 1028, to extend certain benefits to former employees of county committees, contains the following:

"The purpose of this legislation is to facilitate the hiring of qualified personnel in positions in the Department of Agriculture by removing certain impediments to the recruitment of experienced county committee employees of the Agricultural Stabilization and Conservation Service (ASCS)."

"Enactment of S. 1028 will provide for desirable changes in the conditions under which ASCS personnel may enter into Federal employment with the Department of Agriculture, as follows:

"(1) The Department of Agriculture will be enabled to place the employee in a civil service position at a salary step which is comparable to, but does not exceed, his prior county salary rate.

"(2) The employee's annual and sick leave will be transferred to the new position in the Department of Agriculture.

"(3) The employee's former county committee employment service will be creditable for leave earning purposes and reduction-in-force purposes in the new position in the Department of Agriculture."
14. CREDIT UNIONS. The committee report on H. R. 14907, to amend the Federal Credit Union Act, states that the amended version of the bill would: (1) extend the maturity of loans made on a secured basis from 5 to 10 years, (2) permit credit unions to make investments into State-chartered central credit unions, (3) enable Federal credit unions to purchase from any liquidating credit union notes of that credit union even though the member whose note was being sold would not become a member of the purchasing credit union, (4) provide that credit unions may facilitate members' purchases of health and accident insurance on credit union loans and include the cost of this insurance in the loan repayment schedule with no fee charged for this activity, (5) allow the board to delegate the borrowing authority to the executive committee, (6) increase the unsecured loan limit to 2½% of unimpaired capital and surplus, (7) provide for two additional audits plus the annual examination, and (8) make it clear that only a majority vote of the board is necessary for removal of a member of the supervisory committee.
15. HOUSING. The Banking and Currency Committee reported an original bill S. 3497, to assist in the provision of housing for low- and moderate-income families and to extend and amend laws relating to housing and urban development (S. Rept. 1123). p. S5619

SENATE



16. SUPPLEMENTAL APPROPRIATIONS. H. J. Res. 1268, making supplemental appropriations for fiscal year 1968 for highways and certain claims, was ordered to lie on the table. p. S5570
17. FOOD STAMPS; FORESTRY; COMMODITY EXCHANGES; LOANS; WATERSHEDS. The Agriculture and Forestry Committee voted to report (but did not actually report) without amendment S. 3068, authorizing \$245 million for the Food Stamp Act for fiscal year 1969; S. 2837, authorizing establishment of the Cradle of Forestry in America in the Pisgah National Forest, N.C.; S. 3143, making frozen concentrated orange juice subject to the provisions of the Commodity Exchange Act; S. J. Res. 168, authorizing temporary emergency funds for the Farmers Home Administration; and H. R. 15822, authorizing establishment of the Robert S. Kerr Memorial Arboretum and Nature Center in the Ouachita National Forest, Okla.; and with amendment S. 2276, permitting Secretary of Agriculture to contract for works of improvement under the Watershed Protection and Flood Prevention Act upon request of local organizations. pp. D435-6
18. FARM PROGRAM. The "Daily Digest" states the Agriculture and Forestry Committee "announced that it had agreed to act this year on the extension of the Food and Agriculture Act of 1965 (P.L. 89-321), and that it plans to hold hearings on a bill, to be introduced by Senator Ellender, embodying amendments to this act proposed during recent hearings." p. D436
19. POVERTY; BUILDINGS. Sen. Byrd, W. Va., inserted an SCLC statement that participants in the Poor People's Campaign might "hang around" this Department. p. S5498 (May 14)
20. FARMERS HOME ADMINISTRATION. Sen. Scott was added as a cosponsor of S. 3165, to amend the Consolidated Farmers Home Administration Act to provide for loans to public bodies which, upon sale by the Farmers Home Administration, shall bear taxable interest. p. S5621
21. ARTS AND HUMANITIES. Sen. Pell commended President Johnson's interest in arts and humanities and inserted the President's remarks at the dedication of the Smithsonian Institution's National Collection of Fine Arts. pp. S5629-30
22. AWARDS; FARM PROGRAM. Sen. Ellender commended the "Department's growth and increased responsibility" and inserted his speech made at the USDA Honor Awards Ceremony May 14. pp. S5636-7
23. ELECTRIFICATION. Sen. Metcalf quoted a welfare administrator who wrote, "Utility charges...is an area where poor people suffer the most," and inserted an article from Electrical World. pp. S5649-51
24. HORSES. Sen. Hansen inserted material regarding the problems arising over the fate of the wild horse herd in the Pryor Mountain area of Wyo. and Mont. pp. S5652-3

90TH CONGRESS }  
2d Session }

SENATE

{ REPORT  
{ No. 1123

HOUSING AND URBAN DEVELOPMENT  
ACT OF 1968

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REPORT  
OF THE  
COMMITTEE ON  
BANKING AND CURRENCY  
UNITED STATES SENATE  
TO ACCOMPANY  
S. 3497  
TOGETHER WITH INDIVIDUAL  
AND ADDITIONAL VIEWS



MAY 15 (legislative day, MAY 14), 1968.—Ordered to be printed

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# Calendar No. 1106

90TH CONGRESS }  
*2d Session*

SENATE

{ REPORT  
No. 1123

## HOUSING AND URBAN DEVELOPMENT ACT OF 1968

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MAY 15 (legislative day, MAY 14), 1968.—Ordered to be printed

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Mr. SPARKMAN, from the Committee on Banking and Currency,  
submitted the following

### REPORT

together with

### INDIVIDUAL AND ADDITIONAL VIEWS

[To accompany S. 3497]

The Committee on Banking and Currency, having considered the same, report favorably a committee bill (S. 3497) to assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development, and recommend that the bill do pass.

### Introduction

The committee bill reported herewith represents a 2-year effort on the part of the committee to establish and bring about a program that will help provide homeownership for lower income families. In addition the committee bill will help lower income families to obtain rental and cooperative housing and will provide ways and means of assisting our Nation's cities with the problems they are currently facing.

During the first session of the 90th Congress, the Subcommittee on Housing and Urban affairs held hearings during July and August to consider some 41 bills and amendments relating to various housing and urban development programs and other matters dealing with mortgage



credit. Following these hearings, the subcommittee met in executive session on at least eight different occasions in order to consider all these matters. In addition to these executive sessions, the subcommittee met informally with representatives of the executive branch of the Government to discuss various aspects of several proposals which were under consideration. At the conclusion of the executive sessions, a committee bill (S. 2700) was drafted and reported to the Senate on November 28, 1967. The Congress, however, adjourned before this bill could be considered by the Senate.

On February 26, 1968, the President sent his message on housing and cities to the Congress. This message was followed by the administration's proposals designed to meet the housing and city problems which now face this Nation. These proposals were introduced as Senate bills S. 3028 (containing provision for the establishment of an urban insurance program) and S. 3029 (containing provisions relating to housing and urban development). These bills were referred to the Senate Banking and Currency Committee. Following this referral, the Subcommittee on Housing and Urban Affairs held hearing on March 5 through 7, 11 through 15, 18 through 22, 1968, to consider S. 3028, S. 3029, and some 25 bills and amendments<sup>1</sup> pertaining to housing, urban development, mortgage credit matters, urban insurance and land sales. Following the hearings, the committee met in executive session on seven occasions (Apr. 8 through 10, 18, and 23 through 25) to consider all of these matters. At the conclusion of the executive sessions, a committee bill was drafted and reported to the Senate.

The President's housing and cities message to the Congress proposed a program of Federal assistance for the construction and rehabilitation of 6 million housing units over a 10-year period for the low and moderate income families of this country. The committee believes that these goals can be attained and the programs and authorizations for appropriations contained in the committee bill are designed to be a 3-year start toward achieving the goals outlined by the President.

The President's proposed Housing and Urban Development Act of 1968 contained most of the provisions that were included in the committee bill, S. 2700, reported during the first session of the 90th Congress particularly the basic provisions of homeownership contained in Title I of S. 2700. Therefore, the committee used S. 2700 as the basis for drafting the committee bill. Thus, the committee has, after long and deliberate consideration in two sessions of Congress, developed a bill that is aimed toward meeting the housing and urban development problems presently confronting this Nation.

One of the main emphases of the committee bill is the establishment of programs which are aimed toward helping lower income families of this Nation achieve homeownership.

With enactment of the National Housing Act of 1934, the United States Housing Act of 1937, the Housing Acts of 1949, of 1954, 1961, the Housing and Urban Development Act of 1965 and the Demonstration Cities and Metropolitan Development Act of 1965, plus other

<sup>1</sup> S. 2228, S. 2229, S. 2343, S. 2376, S. 2466, S. 2498, S. 2508, S. 2625, S. 2631, S. 2680, S. 2681, S. 2800, S. 2801, S. 2802, amendment No. 600 to S. 3029, amendment No. 607 to S. 3029, amendment No. 613 to S. 3029, S. 3110, S. 3128, S. 3129, S. 3130, S. 3131 and S. 3255.

measures, the committee has provided many tools with which the American people have been able to obtain decent, safe, and adequate housing. These Acts have also provided ways and means by which our cities, towns and communities have been able and are now able to fight blight, slums and urban decay.

It must be remembered, however, that these acts taken as a whole, were never intended to be the complete answer—the sole solution—to our National housing problems nor to the multiplicity of problems we now find facing our cities. At best, these acts were intended to encourage and contribute to private and public efforts and initiative toward helping our people to achieve the goal expressed in the policy of the Housing Act of 1949, which is “a decent home and suitable living environment for every American family.”

Under these acts, a great deal has been achieved. Literally hundreds of thousands of families have been able to obtain homes commensurate with their needs and at prices they are able to pay. Numerous cities, towns and communities have been helped to rid themselves of their worst slums and blight and have thus become better places in which to work, play, worship and live. One of the most notable achievements has been the development of a mortgage insurance system with a government guarantee and a back-up secondary mortgage market, the results of which have largely been responsible for the rising homeownership among the American people so that today more than two-thirds own their own homes.

From time to time serious gaps have been noted in these acts. As time went on it was realized that many programs provided by these measures have not reached down far enough to help those who need housing the most also, urban development programs were sometimes found lacking in the type of Federal support and assistance that was needed at the local level to meet the fast changing housing and urban development problems of the cities. Each time these gaps have been found or recognized, steps have been taken to close them with either new or amended legislation.

The committee wishes to make it clear, however, that while much success has been achieved over the last 35 years, this Nation still has a long way to go in meeting total housing and urban development needs.

The housing needs of the American people and the needs of the Nation's cities, towns, and communities are not something that can be defined, once and for all time, at any given period. These are ever-increasing needs largely resulting from the rising expectation of the low and moderate income American family and must be faced almost on a day-by-day basis. What appeared to be a satisfactory solution to yesterday's problem will be unacceptable today. On the reverse side of the coin, it must be realized by all concerned that these are needs that cannot be met on an overnight basis; fiscal and physical capabilities are just not at hand to bring about an immediate solution to all these problems.

It is believed that the committee bill reported herewith offers programs of basic ways and means by which we can continue to meet the nation's growing housing and urban development problems.



## Committee Deliberations

As has already been stated, the committee commenced working on this committee bill during the first session of the 90th Congress. During the second session of the 90th Congress, emphasis was placed on perfecting the homeownership ideas adopted by the committee last year and further emphasis was placed on the establishment of such new programs and amendments to existing law that would help stimulate and encourage local action aimed toward alleviating problems with which our cities are now faced.

The subject of lower income housing is not a new one for the committee. Over the years, the committee has considered various ways and means of helping lower income families to obtain decent and adequate housing commensurate with their needs. Although the committee has at various times in the past approved proposals aimed at helping lower income families with their housing needs—the majority of these programs has fallen into the category of rental housing (such as the sec. 221(d)(3) below-market interest rate program and the rent supplement housing program) rather than homeownership.

This being the case, the committee felt that in order to give American families the widest choice in selecting the type of housing in which they desire to live, as well as achieving a balance in existing programs, emphasis should be placed on developing programs which would give lower income families a better opportunity of becoming homeowners. The committee also considered ways and means of making private rental and cooperative housing available to lower income families more commensurate with rents that they can afford to pay.

The committee believes that the proposals it has adopted and has presented to the Senate in the committee bill represent an effective method of achieving these objectives.

Although a great deal of the committee's time was spent last year as well as this year in developing the homeownership programs, the committee also carefully considered other proposals establishing new programs and amendments to existing law that would assist in the development and redevelopment of our American cities. The committee is impressed by the urgency of the problems that now face our American cities. The committee bill, therefore, proposes several new programs and amendments to speed up and expand existing programs with which to meet these problems. In this connection, the committee considered a stepped-up authorization for urban renewal and additional operating funds for carrying out the model cities program. The committee believes that these new authorizations, as well as increased authorizations for other urban development programs provided in the bill will play a large part in continuing to help meet the housing and urban development needs presently confronting the country.

In addition to the items mentioned above, the committee bill contains a wide variety of amendments to programs under the jurisdiction of the Department of Housing and Urban Development and the Department of Agriculture.

The bill contains a title which proposes to establish an urban insurance program; it contains a title which proposes to establish a flood insurance program, and it contains a title which proposes to establish

guidelines for the interstate sale of land. In addition, the bill contains a title which would partition the FNMA into two associations: one association would be the new Federal National Mortgage Association (FNMA) which is to become a private rather than Government-operated association; the second would be the new Government National Mortgage Association (GNMA) which will continue to be the functioning arm of the Federal Government for the purchase of a special type of Government-supported mortgages. The bill also contains a title which proposes to establish national housing partnerships. It is hoped that the partnerships will attract the financial support and technical competence of private enterprise in providing for the housing needs of low and moderate income families.

The committee recognizes that the most urgent need for housing today lies with lower income families. The committee also recognizes that under today's price structure for housing, such families are unable to afford housing which is produced by private enterprise. Thus the committee has provided in this bill several new programs and amendments to existing law that are aimed toward meeting the housing needs of lower income families.

A detailed explanation of all of the titles as well as the sections of the committee bill follows.



## EXPLANATION OF THE BILL

### SHORT TITLE

Section 1 of the bill cites this bill as the "Housing and Urban Development Act of 1968."

### DECLARATION OF POLICY

Section 2 of the bill reaffirms the national goal as set forth in section 2 of the Housing Act of 1949 of "a decent home and suitable living environment for every American family." In addition, the Congress finds that this goal has not been fully realized for many of the Nation's lower income families and states this is a matter of grave national concern. The Congress further declares that the programs authorized by this act are designed to give the highest priority toward meeting the housing needs of those families for which the national goal has not become a reality. In addition, the Congress declares that in carrying out the programs contained in this bill the fullest practical utilization of the resources and capabilities of private enterprise and of individual self-help techniques should be employed.

### EMPLOYMENT OPPORTUNITIES FOR LOWER INCOME PERSONS IN CONNECTION WITH ASSISTED PROJECTS

Section 3 of the bill provides that in administering programs authorized by section 221(d)(3), and the proposed new sections 235 and 236 of the National Housing Act; the low-rent public housing program of the U.S. Housing Act of 1937; and section 101 of the Housing and Urban Development Act of 1965, the Secretary of HUD shall require, to the greatest extent feasible, opportunities for employment arising in connection with construction or rehabilitation of housing assisted under such programs be given to lower income persons residing in the area of such housing.

## Title I—Lower Income Housing

### HOMEOWNERSHIP FOR LOWER INCOME FAMILIES

Section 101 of the bill establishes a homeownership assistance program for lower income families in a new section 235 of the National Housing Act. This program is closely patterned after one the committee approved last year in reporting out S. 2700 and which was included in modified form in the administration bill this year. The committee has made additional changes which it believes will further orient the program toward lower income families with as immediate an impact as possible consistent with long-range plans.

The homeownership assistance would be provided in the form of periodic payments to the mortgagee which would serve to reduce interest costs on a market rate home mortgage or a cooperator's share of a cooperative association's mortgage. In addition, the provisions of the present section 221(h) of the National Housing Act would be incorporated into the new section, and the nonprofit organization sponsoring the project, as well as the individual lower income purchasers, would be eligible to receive the benefits of assistance payments.

Until this time Federal housing assistance for lower income families has been directed almost entirely to rental housing. The only single-family assistance program at present is the FHA section 221(h) program enacted in 1966. This is a limited, experimental program which authorizes insured mortgages at 3 percent interest to nonprofit organizations for the acquisition and rehabilitation of substandard homes for subsequent resale, with 3 percent mortgages, to lower income families. In the short time this program has been in operation it has demonstrated that there is considerable interest and potential in improving living conditions for lower income families through homeownership.

The new section 235 would incorporate this program for lower income families, along with the assistance provided for new or rehabilitated single-family homes, condominium, and cooperative units. The committee expects that the section 221(h) program would be continued, however, until the new section 235 becomes fully operational and adequately funded, but the sale of any individual units held by a nonprofit mortgagor under section 221(h) could be financed under the new program.

Unlike the 221(h) program, which depends on direct Federal lending from the special assistance funds of FNMA to support its 3-percent mortgages, this program will rely on the private mortgage market to finance it. Because of the limited availability of special assistance funds, this is necessary if any volume of new homes is to be achieved under this program. To attract private mortgage money these mortgages must bear an interest rate commensurate with the cost of mortgage money in the market.

A basic provision of the law would limit eligibility for assistance for the purchase of dwellings under the program to lower income families whose incomes are not in excess of 70 percent of the limits prescribed by the Secretary of HUD for occupants of projects in the same area financed with below-market interest rate mortgages insured under section 221(d)(3) of the National Housing Act. However, the committee recognized the desirability of more flexibility in income limits. Accordingly, it has provided that up to 20 percent of the periodic assistance payments authorized to be contracted to be made pursuant to appropriation acts could be used on behalf of families with somewhat higher incomes, within limits prescribed by the Secretary. These limits, dependent on family size, would be determined on the general basis of the cost in the area, of standard new single-family homes of modest but adequate construction.

The 20-percent limitation will apply only with respect to the amount of contracts entered into for assistance payments. The extent to which such contracts involve families having incomes in excess of



the 70-percent limitation and would therefore be charged against the 20-percent portion of the authorized contract authority would be determined at the time the contracts are entered into on the basis of the income of the families at that time. Subsequent changes in the income of families receiving the benefit of assistance payments would have no effect on the extent to which the 20-percent portion is used.

For purposes of determining whether a family is within the income limits, \$300 would be deducted from family income for each minor person who is a member of the immediate family and living in the household and any income earned by such minor would be excluded from family income. The \$300 allowance for minors however could not be used to qualify a family whose gross income exceeds the income limits prescribed by the Secretary for that area.

Although the statute is silent on defining income, the committee is aware of the necessity for the Secretary to establish procedures to assure that fair standards and rules are followed within HUD for determining income (after allowable deductions) for eligibility of low or moderate income families or mortgagors under HUD's various programs. These procedures would apply to those who receive the benefit of subsidies or below-market interest rates to enable them to obtain occupancy, homeownership, or cooperative housing membership.

### *How the Subsidy Works*

To bring the monthly payments under the market-rate mortgage down to a level which a lower income family could afford, the Secretary would make periodic assistance payments on behalf of the homeowner to the mortgagee in an amount necessary to make up the difference between 20 percent of the family's monthly income and the required monthly payment under the mortgage for principal, interest, taxes, insurance, and mortgage insurance premium. In no case, however, could the payment exceed the difference between the required payment under the mortgage for principal, interest, and mortgage insurance premium and the payment that would be required for principal and interest if the mortgage bore an interest rate of 1 percent. The maximum assistance payment would thus be greater than that approved by the committee in S. 2700, which was based on the section 221(d)(3) BMIR rate (3 percent). The committee feels that this level of subsidy will more adequately assist families in the income range to be served by the program.

The amount of the subsidy would vary according to the income of the homeowner. This enables the assistance to be based on the homeowner's need, and enables the program to help a broad range of lower income families. For most of the Nation, families with incomes in the general range of \$3,000 to \$7,000 will be able to buy homes under this program and, thus, benefit by it. The income of most of these families is expected to rise above the level it was at when they purchased their home. Therefore, the bill provides for the family's income to be recertified at least every 2 years and appropriate adjustments to be made in the assistance payment to reflect any changes. Many assisted homeowners can thus be expected to be able ultimately to afford the full monthly payment under their mortgages.

At all times, in calculating the income of the homeowner on which the 20-percent computation will be made, there will be deducted \$300 for each minor child who is a member of the homeowner's immediate family and living with him. Also, income of minors will not be included in the homeowner's income for this computation.

The following table shows the probable range of assistance payments for various income levels and mortgage amounts, assuming a 6¾-percent, 35-year mortgage with a one-half-of-1-percent mortgage insurance premium.

ESTIMATED MONTHLY ASSISTANCE PAYMENTS UNDER SEC. 235, BY MORTGAGE AMOUNT AND HOMEOWNER'S ANNUAL INCOME BASED ON 6¾-PERCENT 35-YEAR MORTGAGE WITH ½-PERCENT MORTGAGE INSURANCE PREMIUM

Adjusted annual income <sup>1</sup>	20 percent of monthly income	Mortgage amount						
		\$8,000	\$10,000	\$12,000	\$14,000	\$15,000	\$17,500	\$20,000
\$3,000.....	\$50	\$17. 63	\$32. 84	\$45. 72	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
\$3,600.....	60	7. 63	22. 84	39. 66	\$53. 34	\$57. 15	( <sup>2</sup> )	( <sup>2</sup> )
\$4,200.....	70		12. 84	29. 66	46. 52	54. 85	\$66. 68	( <sup>2</sup> )
\$4,800.....	80		( <sup>3</sup> )	19. 66	36. 52	44. 85	66. 27	\$76. 20
\$5,400.....	90			9. 66	26. 52	34. 85	56. 27	76. 20
\$6,000.....	100				16. 52	24. 85	46. 27	67. 52
\$6,600.....	110				6. 52	14. 85	36. 27	57. 52
\$7,200.....	120					( <sup>3</sup> )	26. 27	47. 52
\$7,800.....	130						16. 27	37. 52
Monthly payment due the mortgagee.....		67. 83	82. 84	99. 66	116. 52	124. 85	146. 27	167. 52
Maximum subsidy.....		30. 48	38. 10	45. 72	53. 34	57. 15	66. 68	76. 20

<sup>1</sup> Total income of 1 family less \$300 for each minor child and any income earned by a minor child.

<sup>2</sup> Cost to buyer would exceed 25 percent of his monthly income in addition to assistance payments in order to meet payments on this mortgage amount.

<sup>3</sup> Less than \$5.

Source: Department of Housing and Urban Development.

The amount of estimated monthly assistance payment, for example, for a \$14,000 mortgage would be \$46.52 for a family with an annual income of \$4,200, and \$26.52 for a family with a \$5,400 income. No entry is made for the amount of the assistance payment if it appears inadequate to enable the family to afford the mortgage payment. Thus, it is not expected that a family with a \$3,000 annual income would purchase a home under this program requiring a mortgage of \$14,000. The exact cutoff points used for purposes of this table are merely illustrative, however, and not absolute. The committee does expect, however, that the Secretary will establish guidelines to assure that no mortgagor will be approved under this section for assistance in buying a home which is extravagantly designed or is clearly too expensive or large for the present or future needs of his family.

### *Eligible Property and Mortgage Terms*

Mortgage limits would be determined on the general basis of the cost, in the area, of standard, new, single-family homes of modest but adequate construction. In keeping with this principle, the amount of the mortgage could not exceed \$15,000 (\$17,500 in high-cost areas). In recognition of the need of larger families for more room, however, these limits would be increased to \$17,500 and \$20,000, respectively, for families with five or more members. The same limits would apply to cooperative and condominium units. The Secretary would be required



to prescribe regulations to assure that the consideration paid for homes under this new program is not increased above the home's appraised value. This would prevent the price of the unit from being unnecessarily increased because of the availability of the assistance.

In order to achieve the substantial increase in the number of dwellings available to lower income families that is sorely needed, assistance under this new program will generally be limited to new or substantially rehabilitated units. The existing supply of good, low-cost housing is entirely inadequate and shows little tendency to improve without the impetus a program such as this can give it. As under FHA's regular home mortgage program (sec. 203), homebuilders could plan the housing and have it approved by FHA prior to the beginning of construction, thereby enabling the builder to obtain construction financing on the basis of FHA conditional mortgage insurance commitments. An exception is made in recognition of the need for immediate housing that confronts a displaced family (one displaced from an urban renewal area, displaced as the result of governmental action, or displaced as the result of a major disaster). Such a family would qualify for assistance in the purchase of an existing home. Families with five or more children could also receive assistance to purchase an existing home, as would those moving from public housing.

Furthermore the committee recognizes, that there is an urgent need for the program to have an immediate impact. New construction and rehabilitation will take time. Initially, therefore, the committee has provided for limited eligibility of existing dwelling units in order to get the program underway immediately upon enactment. Twenty-five percent of the amount of contracts made before July 1, 1969, could apply to existing housing, with this decreasing to 15 percent of the amount of contracts made in the following year and 10 percent in the third year.

The committee expects that, in areas where the housing market is tight and added demand for existing housing could inflate prices, this exception will not be utilized.

Also authorized for assistance under this new section are those families acquiring their dwelling unit in a rental project receiving rent supplement assistance or one covered by a mortgage under the new section 236 of the National Housing Act (proposed by sec. 201 of the bill). The prohibition against existing housing naturally would not apply in these cases, but the other requirements on maximum income for eligibility and maximum mortgage amount would apply.

For families acquiring units in condominium and cooperative projects, the construction or substantial rehabilitation of the project would have to have been completed no more than 2 years prior to the filing of the application for assistance payments with respect to the family, and the unit would have had to have had no previous occupant other than the family for whom the application is made. However, the above exceptions for existing housing would apply in these cases as for single-family homes.

Mortgages with respect to which assistance would be made under this section would generally meet the requirements of either section 221(d)(2) sales housing for low and moderate income families; sec-

tion 234 condominium housing; section 213 cooperative housing; or the provisions of section 221(h) incorporated into this section. In addition, families eligible for insurance under the above sections (except sec. 213), but who must obtain insurance under section 237 (proposed by sec. 102 of the bill) because of their credit or income ratings, would also be eligible for assistance payments under this section. The downpayment requirements for purchasers of single-family homes and condominium units would be modified to only require a \$200 downpayment for a family with an income within 70 percent of the 221(d) (3) limit. For eligible families above those limits, there would be required at least a 3-percent downpayment.

For cooperative members receiving assistance, the payment would be based on their proportionate share of the obligations under the project mortgage and using the same formula as for individual mortgages. The assistance payment in all cases, whether an individual mortgage or a project mortgage, would cease when the family for whom the assistance payment is being made ceases to occupy the home, condominium unit, or cooperative unit.

The provisions of section 221(h), as incorporated into section 235, would be modified to reduce the minimum required number of single-family dwellings covered by the blanket mortgage of the nonprofit sponsor from five to four, and to authorize the blanket mortgage to cover four or more units in a multifamily structure under a condominium ownership plan. Also the income levels would be the same as those authorized for other purchasers under section 235, instead of the present limit to low-income purchasers.

The nonprofit organization during rehabilitation would pay interest, on the advances made, at the market interest rate, as is done at present under 221(h). If there are any units still under the nonprofit organization's blanket mortgage when it is time to endorse finally the mortgage for FHA insurance, the mortgagor would make monthly payments of principal and interest as if the mortgage bore a 1-percent interest rate, with the difference between this payment and the required payment for principal, interest, and mortgage insurance premium under its market rate mortgage being paid to the mortgagee by the Government.

Mortgages insured under section 235 would be the obligation of the new Special Risk Insurance Fund (proposed by sec. 104 of the bill).

### *Counseling*

Since many of the families who would be assisted have had little experience in the proper care of a home and the budgeting of income to meet regular monthly payments on a mortgage, this section would authorize appropriate counseling, either directly by HUD or by contract with public or private agencies, to assist these families in meeting their new responsibilities. Appropriations would be authorized for this purpose.

The committee expects that this counseling will not be necessary where similar counseling is available from other sources, such as through organizations assisted by the Office of Economic Opportunity or pursuant to other programs.



*Scope*

This section would provide authority to enter into assistance payment contracts, as approved in appropriation acts, in the amount of \$75 million annually in fiscal year 1969. This amount would be increased by \$100 million in fiscal year 1970, and by \$125 million in fiscal year 1971. This would be enough to enable nearly one-half million families to become homeowners over the next 3 years.

Assistance under this new section 235 would be available in both urban and rural areas. However, insofar as the administration of this section in rural areas is concerned, the Secretary is expected to assign to the Secretary of Agriculture necessary authority, along with appropriate transfer of funds, for the implementation thereof as agreed upon by the two Secretaries. Section 513 of the Housing Act of 1949 would be amended by section 1003 of the bill to authorize appropriations to pay for Agriculture's administrative expenses in connection with any such assignment.

Other provisions of section 101 of the bill would: (1) Increase the mortgage limits on single-family dwellings under section 221(d)(2) of the National Housing Act to correspond to the limits provided in the new section 235; (2) permit a mortgagor under section 221(d)(2) (and, therefore, also one eligible under sec. 235) to contribute the value of his labor to the acquisition cost of his dwelling; (3) authorize the Secretary to reimburse the mortgagee for his expenses in handling a 235 mortgage; and (4) make the labor standards of section 212 of the National Housing Act applicable to blanket mortgages held by nonprofit organizations insured under section 235 to the same extent as now applicable to such mortgages insured under section 221(h) of such act.

**CREDIT ASSISTANCE**

Section 102 of the bill would authorize, through a new section 237 of the National Housing Act, FHA mortgage insurance for those families of lower income who cannot qualify for mortgage insurance under existing FHA housing programs because of their credit histories or irregular income patterns, but who the Secretary of HUD finds are reasonably satisfactory credit risks and capable of homeownership with the assistance of budget, debt management, and related counseling.

Mortgages insured under this program would have to meet the basic requirements under one of the various FHA home mortgage programs (including the new programs authorized by sec. 235, proposed by sec. 101 of this bill, and by sec. 221(i), proposed by sec. 105 of this bill). The credit and income requirements of the particular section would not apply, however, and the principal obligation of the mortgage could not exceed \$15,000 (\$17,500 in high-cost areas). However, the lower mortgage limits prescribed under subsections (h) and (i) of section 203 would govern, when mortgage insurance is sought pursuant to them.

Insurance would not be authorized under section 237 unless the monthly mortgage payments for principal and interest, including payments for local real estate taxes, could be paid with 25 percent or less of the mortgagor's average monthly income, computed over the

previous year or the previous 3 years, whichever is higher. The interest rates and mortgage insurance premiums would be the same as those under the existing programs.

The purpose of section 102 is to provide assistance to families of modest means who aspire to purchase homes but cannot obtain mortgage financing because of flaws in their credit histories or instability in their earning records. The Secretary would be required to search behind these flaws to determine whether delinquent accounts were ultimately paid or involved extenuating circumstances, or whether irregular employment and income patterns were due to such factors as seasonal employment, with income otherwise at levels of eligibility over the previous 2 years. Consideration would be given to any other factors which would indicate that the families could maintain homeownership.

An important element in this program is the counseling, either directly or by contract with public or private organizations, the Secretary would provide mortgagors and to prospective homeowners who lack sufficient funds to supply a downpayment. While many families who would be eligible for mortgage insurance under this section have strong aspirations to become homeowners, their experience in handling large financial responsibilities may be meager. Through counseling, these families can be helped to use their resources efficiently in meeting homeownership responsibilities.

Preference under the new program would be given to families living in public housing and especially those required to leave because their incomes have risen beyond the maximum prescribed by the local housing authority, as well as those eligible for public housing residence who have been displaced from federally assisted urban renewal areas.

The proposed program would be essentially experimental, and there would be no change in FHA insurance of home mortgages at or below the maximum mortgage limits prescribed by this section. Those who now qualify would continue to qualify, and only those who would have been rejected in the past as poor credit risks would have their mortgages insured under the new section 237.

In authorizing this new program, it is not the intention of the committee to have local FHA directors use the new section 237 program as an excuse for careless underwriting practices, arbitrarily placing all marginal applicants into the special risk fund without concern for the real worthiness of the case. Contrariwise, the committee believes that the FHA should sharpen its underwriting tools and improve its ability to judge the true merits of various applicants for insurance, particularly those of low and moderate income. In general, the committee believes that existing FHA rules for credit approval should be made more realistic and workable for low and moderate income families. The credit requirements are often applied too stringently in reviewing credit histories. Thus, the credit report of a prospective purchaser or cooperative member may indicate that at some time in the past he had difficulties in meeting certain obligations, which frequently occurs among lower income families. Yet, this should not be a bar to homeownership or cooperative membership if it can be demonstrated that the person had a good record in meeting comparable monthly charges for housing during recent years.



The principal balance of all mortgages insured under section 237 and outstanding at any one time would be limited to \$200 million, enough initially to finance about 15,000 homes. There are large numbers of families in the lower income brackets whose living conditions would be substantially improved through homeownership which many can afford if only helped to allocate their resources properly. This program would generate the experience necessary to help these families help themselves.

As with the new homeownership program proposed in section 101 of the bill, mortgages insured under this section would be the obligation of the new special risk insurance fund (proposed by sec. 104 of the bill).

#### RELAXATION OF MORTGAGE INSURANCE REQUIREMENTS IN CERTAIN URBAN NEIGHBORHOODS

Section 103 of the bill would amend section 223 of the National Housing Act, by adding a new subsection (e), to give FHA more flexible authority in providing financing for the repair, rehabilitation, construction, or purchase of property located in older, declining urban areas. Under the amendment, FHA would be able to accept for insurance mortgages on properties which may not, because of the area in which they are located, be able to meet all of the normal eligibility requirements. Acceptance of these mortgages would be permitted where FHA is able to establish that the area is reasonably viable, giving consideration to the need for providing adequate housing for families of low and moderate income in the area, and that the property is an acceptable risk in view of such consideration.

Under a 1966 amendment to section 203 of the National Housing Act, the Secretary of HUD is authorized to insure mortgages for one- to four-family properties located in an area where rioting or other disorders have occurred or are threatened, without regard to economic soundness, provided the properties are an acceptable risk, giving consideration to the need for providing adequate housing for families of low and moderate income in that area. This provision, waiving the economic soundness requirement, enabled the FHA to insure mortgages on housing in some of the older, declining urban areas, but it has not provided the flexibility required to finance all of the types of housing needed in all such areas.

The provision of adequate housing in these areas involves the repair, rehabilitation, and construction of a variety of housing types. The FHA section 203 home mortgage program, as amended in 1966, only provides financing for one- to four-family housing and is limited to areas identified with riots or other disorders. This proposed amendment would permit the FHA to expand the use of its various other housing programs in these areas. It would also expand the areas, in which exception would be made, to all older, declining areas without regard to riots or disorders.

Section 103 would permit FHA to waive any other statutory limitation on such items as loan to value, size of dwelling unit, or maximum mortgage amount, if such limitation would prevent the insurance of an otherwise acceptable risk to carry out the purpose of this sec-

tion. However, the labor standards of section 212 of the National Housing Act would continue in effect and could not be waived. In addition to one- to four-family sales units, financing could be provided for rental or cooperative projects and for individual ownership of apartments in a condominium project.

Because of high risks involved in insuring mortgages in such areas, mortgages insured pursuant to this new authority would be the obligation of the new special risk insurance fund (proposed under sec. 104 of this bill).

This amendment is being proposed as a substitute for section 203(1), the provision added in 1966, and, therefore, includes repeal of the 1966 provision since it would no longer be needed.

#### SPECIAL RISK INSURANCE FUND

Section 104 of the bill would establish, through a new section 238 of the National Housing Act, a "Special Risk Insurance Fund," which would not be intended to be actuarially sound and out of which claims would be paid on mortgages insured under the new sections 235—homeownership assistance (proposed by sec. 101 of the bill); 236—assistance for rental and cooperative housing (proposed by sec. 201 of the bill); and 237—credit assistance (proposed by sec. 102 of the bill); as well as those mortgages insured pursuant to the authority contained in the amendment to section 223—properties in older, declining urban areas (proposed by sec. 103 of the bill).

The fund would be established with a \$5 million advance from the general insurance fund, which would be repayable at such time and at such interest rates as the Secretary of HUD deemed appropriate. Since these programs cannot be expected to be operated on an actuarially sound basis if the insurance premium charge is to be set at a reasonable level, appropriations to the fund would be authorized to cover any losses sustained by the fund in carrying out the mortgage insurance obligations of these programs. The term losses, as used in this provision, is the same as presently appears in a similar authority under section 221(f) of the National Housing Act. In both instances, it is intended that the Secretary be able to obtain appropriations to cover anticipated or projected losses as well as actual losses, in order to provide adequate operating funds during the long period required to liquidate properties.

Insurance benefits would generally be similar to those authorized for mortgages insured under section 221 of the National Housing Act. Payments on claims would be made either in cash or debentures and could be in an amount equal to the unpaid principal balance of the loan plus any accrued interest and any advances made by the mortgagee with approval of the Secretary and under the provisions of the mortgage, where permitted in the regulations prescribed by the Secretary. Income such as insurance premiums and service charges in connection with the covered programs would be deposited in the new fund. Administrative expenses in connection with these programs and expenses incurred with respect to defaults would be charged to the fund.

The programs using this new fund would generally involve some form of subsidy for families of low and moderate income and those



families who are poor credit risks or who wish to buy property in areas where mortgage insurance would not normally be available. However, it is also intended for use under section 237 for families who would receive no subsidy but who would not otherwise be eligible for insurance because of inability to meet credit requirements. The regular FHA mortgage insurance reserves cannot be expected to absorb these several new programs without impairment. The establishment of a special insurance fund would be consistent with the intent to provide a subsidy element for these families by operating with supplemental appropriations, where necessary.

As the Secretary of HUD indicated in his testimony before this committee on July 17, 1967, experience suggested that: "much could be accomplished through a separate high-risk insurance fund established with clear congressional recognition that the fund would not be actuarially sound and would require appropriations. Our early appraisals of this proposal indicate that with relatively small appropriations to the proposed high-risk fund, and with some additional appropriations to counsel the families whose mortgages are insured under that fund, homeownership could be made possible for a substantial number of low-income families not now eligible for FHA mortgage insurance."

The committee believes that this statement, which was addressed primarily to a credit assistance proposal similar to that set out in section 102, carries equal weight with respect to the other three programs which would be included in the fund. It is naturally the hope of the committee that these programs will be capable of sustaining themselves, but the benefits to be gained from them far exceed what we believe to be the risks.

#### CONDOMINIUM AND COOPERATIVE OWNERSHIP FOR LOW AND MODERATE INCOME FAMILIES

Section 105 of the bill would amend section 221 of the National Housing Act, by adding new subsections (i) and (j), to provide another mechanism by which low and moderate income families could attain an ownership interest in their dwellings. It would do this by permitting section 221(d)(3) below-market interest rate rental projects to be converted to condominium or cooperative ownership.

Under the new subsection (i), a low or moderate income purchaser could purchase an individual family unit and an undivided interest in the common areas and facilities of the project at a price not in excess of the appraised value of the property. At least a 3-percent downpayment would be required, which could be applied in whole or in part toward closing costs.

The purchase could be financed with a mortgage, with a maximum term of 40 years, which bears an interest rate no less than the below-market interest rate in effect with respect to 221(d)(3) projects at the time the commitment to insure the mortgage is issued. The mortgage would contain a provision permitting the Secretary to increase the interest rate, up to the maximum permissible under section 221 at the time the mortgage commitment was issued, upon determination that the mortgagor's annual income had increased to an amount per-

mitting payment of a greater rate of interest. If the original mortgagor ceases to occupy the property, the rate would also increase to the highest rate permissible at the time of commitment, unless the property is sold to a nonprofit purchaser approved by the Secretary or to a low or moderate income purchaser whose income is within the limits established for occupancy in a below-market interest rate project insured under section 221(d)(3).

Under the new subsection (j), a cooperative, with membership open only to low and moderate income families meeting income limits prescribed for section 221(d)(3) below-market interest rate projects, could purchase the project for an amount not exceeding the appraised value of the property for continued use as a cooperative at the below-market interest rate in effect at the time the commitment to insure the mortgage is issued. However, occupants of the project at the time of conversion, whose incomes had increased over the applicable limits, could be allowed to become members of the cooperative under special terms set by the Secretary of HUD.

#### ASSISTANCE TO NONPROFIT SPONSORS OF LOW AND MODERATE INCOME HOUSING

Section 106 of the bill would authorize the Secretary of HUD to undertake a program of technical assistance, with respect to the construction, rehabilitation, and operation of low and moderate income housing to nonprofit sponsors of such housing. It would also authorize the Secretary to provide financial assistance, in the form of 80-percent interest-free loans, to cover certain preconstruction costs of nonprofit sponsors in connection with their low and moderate income housing undertakings under federally assisted programs, and would establish a revolving fund, entitled the low and moderate income sponsor fund, for this purpose, with an authorization for appropriations of \$7.5 million in fiscal year 1969 and \$10 million in fiscal year 1970.

Much of the Federal housing policy for low and moderate income families has been geared to the use of the nonprofit sponsor. However, despite the authority in the law to utilize nonprofit sponsors under many of the existing programs, the experience so far has not been satisfactory. Except in a few instances, nonprofit sponsors have been lacking in experience and technical capacity to develop housing. An effective program of technical assistance to nonprofit housing sponsors is essential if they are to play a vital role in the production of housing for low and moderate income families. Such a program would deal with problems of sponsor-builder relationship, principles of planning, financial responsibility, and allied matters, and would emphasize the human aspects of involvement with the community and development of management that is responsive to tenant needs. The assistance could be provided either directly or by contract with public or private organizations.

The provision of loans to cover certain preconstruction costs is essential if nonprofit organizations are to have a significant role in the expanded low and moderate income housing program. Current practice requires the sponsor to pay for market surveys, architectural and engineering needs, land options and acquisition, and other precon-



struction costs, before the Federal loan or insured financing can be obtained. These must be paid in advance and often create a hardship on the small nonprofit organization. The costs covered by these loans would be included in the final financing and would be returned to the revolving fund when the financing becomes available. However, the Secretary would be authorized to cancel any part or all of a loan that he determines cannot be recovered from the proceeds of the permanent financing. The Secretary would be required, prior to making a loan, to determine that the nonprofit organization meets such requirements with respect to financial responsibility and stability as he may prescribe.

The housing goals sought to be obtained under the new legislation proposed in sections 101 and 201 of the bill will rely in a good part on obtaining good nonprofit sponsorship. The new authority provided by this section for technical and financial assistance to nonprofit organizations, involved or interested in such sponsorship, will help to achieve that goal. The assistance authorized by this section would also be available to nonprofit sponsors under programs characterized as applying to low and moderate income families, such as the section 221(d)(3) BMIR program, the section 231 senior citizens housing program, and the section 515 rural housing program.

#### INSURANCE PROTECTION FOR HOMEOWNERS

Section 107 of the bill would authorize the Secretary of HUD, in cooperation with the private insurance industry, to develop a plan for the establishment of an insurance program to help homeowners meet their mortgage payments in times of personal economic adversity. In addition, this section of the bill requires the Secretary to report to the Congress within 6 months following the date of enactment of this act on his actions under this section and recommend to the Congress such legislation as he deems appropriate to authorize him to enter into agreements with insurance companies to provide home mortgage insurance protection for homeowners.

During last year's hearings and again this year, testimony was presented to the committee which indicated that any number of homeowners would be willing to purchase insurance policies that would protect them from defaults on their mortgages and subsequent foreclosure if such insurance protection could be provided on a reasonable cost basis. In addition, witnesses from the insurance industry indicated their willingness to help devise such a program provided the Federal Government was willing to participate with them in losses sustained through such a program. The committee therefore concluded that the feasibility of setting up such an insurance program should be looked into carefully by the Secretary of HUD in conjunction with various private insurance industry groups.

The committee considered limiting the Secretary's responsibility to report only on Government-assisted mortgages but finally agreed that a study should be made of the feasibility of preparing a plan of insurance for all mortgagors; but if, in the judgment of the Secretary, the only possible plan would apply to Government-assisted mortgages, the committee would consider as satisfactory a report covering only such mortgage.

The committee believes that in developing such a plan, the Secretary should bear in mind that insurance should be provided against such contingencies as foreclosure due to curtailment of income resulting from factors beyond the effective control of the homeowner including such elements as death, disability, illness, and unemployment. The committee also feels that such a program should be designed to be actuarially sound through the use of premiums, fees, extended or increased payment schedules, or other similar methods in conjunction with such Federal financial participation as may be necessary.

The committee further feels that in preparing his recommendation, the Secretary should consult with all other Federal agencies which insure or guarantee home mortgages in order that his recommendations may afford equal benefits to mortgagors participating in such programs.

#### NATIONAL ADVISORY COMMISSION ON LOWER INCOME HOUSING

Section 108 of the bill would establish a National Advisory Commission on Low-Income Housing which shall be composed of 21 members; four of whom would be appointed by the President of the Senate; four by the Speaker of the House, and 13 by the President (no more than three of whom shall be from the Federal Government). The Commission is directed to undertake a comprehensive study and investigation of practicable and effective ways of bringing decent, safe, and sanitary housing within the reach of low-income families, including the evaluation of existing housing programs designed to assist such families, and an exploration of new ways by which the resources and capabilities of the public and private sectors of the economy can be effectively utilized to fulfill more completely the objectives of the national goal of "a decent home and a suitable living environment for every American family," particularly as such goal relates to low-income families in urban and rural areas. The Commission is directed to organize and begin its functions at the earliest possible date and further directed to submit to the President and to the Congress an interim report with respect to its findings and recommendations not later than July 1, 1969, and a final report not later than July 1, 1970.

#### NATIONAL HOMEOWNERSHIP FOUNDATION

Section 109 of the bill would create a National Homeownership Foundation, the purpose of which is to provide technical and limited financial assistance to private and public organizations which desire to organize for the purpose of assisting in providing housing and homeownership opportunities for lower income families. The Foundation would consist of an 18-member Board, 15 of whom would be appointed by the President with the advice and consent of the Senate. The remaining three members would be the Secretary of Housing and Urban Development, the Secretary of Agriculture, and the Director of the Office of Economic Opportunity. This section also authorizes the appropriation of \$10 million to be used by the Foundation in carrying out its prescribed functions which are detailed below. The section also requires the Foundation to make an annual report to the



President and the Congress on its activities and findings, and the financial activities of the Foundation would be subject to GAO audit.

Although the provisions of the bill establishing the National Homeownership Foundation are contained in title I of this bill, it should be pointed out that homeownership is not the only purpose of the Foundation. The Foundation would have broad authority to provide assistance to improve housing conditions for lower income families and would extend beyond the federally assisted homeownership programs contained in this title.

The committee felt that one of its responsibilities was to encourage private sector involvement in all aspects of our Nation's housing problems. Testimony was presented to the committee during the hearings held in 1967 that the private sector is anxious to participate in the solution of our housing problems but that it finds it difficult to know how it can help. Therefore, the National Homeownership Foundation was authorized to provide a mechanism whereby the private sector can make such a contribution.

The committee recognizes that the availability of mortgage funds is the key to the success of all housing programs for the lower income family including homeownership.

The homeownership program established by section 101 of the bill is designed to use the established experience and knowledge of the FHA and the resources of private institutions to make the maximum amount of mortgage money available. If, however, the experience with these techniques results in an unsatisfactory supply of mortgage funds, the committee has indicated its agreement to study all new and innovative ways to obtain mortgage money through both public and private sources to make it possible to provide decent housing in the cost range lower income people can afford. The committee would welcome suggestions submitted by the Foundation to carry out this purpose.

One of the purposes of the Foundation would be to mobilize technical and financial assistance in the private sector and determine how it can be used to create better housing in America. The committee was impressed with the testimony from organizations such as the Interfaith, Interracial Council of the Clergy Project in Philadelphia, the Bicentennial Development and Improvement Corp. in St. Louis, Flanner Homes of Indianapolis, and the Springfield Foundation in the State of Maryland.

The committee feels that the success of the homeownership program will depend to a great extent on the success of local community organizations which undertake such programs. Therefore, it is expected that the Secretary will encourage and strongly support homeownership programs which are both initiated and actively supported within the affected neighborhood or area as well as involve widespread citizen participation in the planning and execution of the program. It is further expected that the Secretary will take the necessary administrative action to insure that such programs receive a reasonable share of the interest subsidy funds. Likewise, residents of the neighborhood or area should be given preference in buying the units which will be made available by such organization.

In order to encourage the increased development of organizations which would approach housing and homeownership programs for

lower income families on a private basis, the committee recommends the establishment of the National Homeownership Foundation. The Foundation could be a principal vehicle through which local community and neighborhood organizations would be able to undertake programs of housing and homeownership opportunities for families of lower income. The Foundation would encourage the establishment of such community-based organizations and would continue to play a vital role in standing ready to assist these organizations in the development and implementation of housing and homeownership programs.

The Foundation would be a Government-chartered, nonprofit corporation. Its 18-member Board of directors would emphasize private sector membership with representation from such fields as finance, business, organized labor, State and local public agencies, local nonprofit organizations actively involved in the fields of housing and community development, and the general public. Members of the Board would serve for 3-year staggered terms and would be appointed by the President with the advice and consent of the Senate. In order to facilitate cooperation with Federal agencies, the Board would also include as ex officio voting members the Secretary of Housing and Urban Development, the Secretary of Agriculture, and the Director of the Office of Economic Opportunity.

The Foundation would be required to submit to the President and to Congress an annual report on its activities. In addition, the committee felt that the Foundation should also advise Congress whenever in its judgment the general unavailability of money in the mortgage market is sufficiently serious to deter the Foundation from carrying out its objectives of expanding housing and homeownership opportunities for lower income families.

In order to avoid duplication of effort, the Foundation would be required to coordinate its activities with all Federal agencies involved in housing programs.

### *Functions*

The committee feels that if local community and neighborhood organizations are to be used successfully in helping to solve the problems of substandard and inadequate housing for lower income families, they should have technical and financial assistance available to them. Some limited assistance is now available through existing Federal programs. However, to meet the considerable needs of these organizations in a more coordinated fashion, the Foundation would be permitted to make technical and financial assistance available to them.

It is contemplated that the Foundation will not borrow money. However, to meet emergency situations, the Foundation is permitted to borrow, using for the principal and interest on this borrowing only donated funds and interest from the loans it has made.

The Foundation could provide technical assistance to the organizations in order to—

1. Encourage local public and private programs of housing and homeownership opportunities for lower income families.
2. Assist in establishing such programs, including the establishment of local development funds.
3. Assist these organizations in finding the proper personnel to implement successfully these programs.



4. Assist these organizations in obtaining financing and mortgage insurance for these programs.

5. Assist these organizations to establish a counseling service to help lower income families gain access to job training and manpower programs.

6. Arrange for (or provide on a limited basis) training for personnel.

7. Encourage research and innovation in the housing and homeownership field and establish an information program on housing opportunities.

8. Other similar services.

The committee also recognized that on a limited basis there was a need for financial assistance to assist these organizations. It was the feeling of the committee that the local organizations should use to the maximum extent feasible Federal programs but grants and loans would be available from the Foundation to fill unmet needs, to experiment, and to initiate new programs when not available from Federal sources. Such financial aid would be limited to—

1. Organizational and administrative expenses incurred in commencing the operation of a program, or in expanding an existing program, to the extent that the activities are related to providing homeownership and housing opportunities for lower income families.

2. Necessary preconstruction costs incurred for architectural assistance, land options, application fees, and similar items.

3. The costs of carrying out programs providing counseling and similar services to lower income families for whom housing is being provided in such areas as home management, budget management and home maintenance, in order to enable these families to achieve and afford adequate housing.

However, any application for a grant and loan must be submitted to the local governmental body for its recommendations and these recommendations to be considered by the Board of Directors before any award is made.

### *Financing*

This section of the bill would authorize an appropriation of \$10 million to carry out the activities of the Foundation. It was felt that the private sector could demonstrate its willingness to assist in providing housing and homeownership opportunities by making private contributions to the Foundation.

## **Title II—Rental Housing for Lower Income Families**

### **PART A—PRIVATE HOUSING**

#### **RENTAL AND COOPERATIVE HOUSING FOR LOWER INCOME FAMILIES**

Section 201 of the bill would add a new section 236 to the National Housing Act to establish an assistance program for rental and cooperative housing for lower income families. The assistance would be provided in the form of periodic payments to the mortgagee on behalf

of the mortgagor which would serve to reduce interest costs on a market rate project mortgage.

The interest reduction payments could reduce payments on the project mortgage from amounts that would be required on a market rate mortgage to amounts that would be required on a mortgage bearing an interest rate of 1 percent.

This new section 236, like the homeownership program proposed by section 101 of the bill, is an essential element in the 3-year program set out in this bill to provide Federal assistance for the construction or rehabilitation of 1.75 million units of lower income housing. It is derived from the below-market interest rate program authorized under section 221(d)(3) of the National Housing Act in 1961. That program was designed to provide rental and cooperative housing for families whose incomes were too high for public housing but too low for standard housing available on the market.

The 221(d)(3) program has been successful in providing much-needed rental and cooperative housing for these families. However, it, too, has the limitation, as does the 221(h) program of homeownership for low-income families, of depending on direct Federal lending from the special assistance funds of FNMA to support its 3 percent mortgages. The limited availability of these funds will not permit the production of the large volume of rental and cooperative housing for lower income families needed to meet the goals contemplated by this bill. It is therefore necessary to obtain financing from the private mortgage market. This would be done under the new section 236.

The new 236 program is intended to replace the 221(d)(3) BMIR program, as well as the program of direct 3 percent loans for the elderly and the handicapped authorized under section 202 of the Housing Act of 1959, but only after the new program is fully operational and adequately funded. It will be better able to serve lower income tenants because the rents attainable under it will be lower than those possible under the other two programs. This is possible because the mortgagor could make monthly payments for principal and interest under the mortgage as if it bore an interest rate of 1 percent. The difference between this amount and the monthly payment due under the mortgage, which will bear a market interest rate, for principal, interest, and mortgage insurance premium will be paid to the mortgage on behalf of the mortgagor by the Federal Government.

These interest reduction payments would reduce rentals to a basic rental charge, determined for each unit on the basis of operating the project with such payments, and a tenant or cooperative member would either pay the basic charge or such greater amount as represented 25 percent of his income, but not in excess of the fair market rental charge which would be determined on the basis of operating the project without any interest reduction payments. The interest reduction payments to the mortgagee would not vary, in order to avoid administrative complexities, but rental charges collected by the mortgagor in excess of the basic charges would be returned to the Secretary for deposit in a revolving fund for the purpose of making other interest reduction payments. In calculating family income, there would be deducted \$300 for each minor person who is a member of the immediate family and living in the household and any income earned by such minor.



Thus, like the homeownership program proposed in section 101 of the bill, this program will be able to provide housing for many lower income families for whom adequate housing is not now available at reasonably equivalent costs. This will be possible because of the identical 1 percent floors for subsidy purposes. Also, under the 236 program the effective amount of the subsidy would vary, because of the provision for recapture of the rental charges in excess of the basic rental charge collected by the mortgagor, in accordance with the income of the tenant or cooperative member and therefore his need for assistance. Incomes would be reexamined at least every 2 years and the rent charged the tenant adjusted accordingly.

The following table shows the range of rental reductions for various income levels, according to mortgage amount attributable to the unit.

ESTIMATED REDUCTION IN MONTHLY RENTAL UNDER SEC. 236, BY MORTGAGE AMOUNT AND TENANT'S ANNUAL INCOME BASED ON 6¾-PERCENT 40-YEAR MORTGAGE WITH ½-PERCENT MORTGAGE INSURANCE PREMIUM

Adjusted annual income <sup>1</sup>	25 percent of monthly income <sup>2</sup>	Mortgage amount					
		\$8,000	\$10,000	\$12,000	\$14,000	\$15,000	\$17,000
\$3,000.....	\$63	\$31.45	(3)	(3)	(3)	(3)	(3)
\$3,400.....	71	31.27	\$39.31	(3)	(3)	(3)	(3)
\$4,000.....	83	19.27	39.31	(3)	(3)	(3)	(3)
\$4,600.....	96	6.27	27.15	\$47.18	(3)	(3)	(3)
\$5,200.....	108		15.15	39.79	\$55.04	\$58.97	\$66.83
\$5,800.....	121		(4)	26.79	51.40	58.97	66.83
\$6,400.....	133			14.79	39.40	47.33	61.42
\$7,000.....	146			(4)	26.40	34.33	48.42
\$7,600.....	158				14.40	22.33	36.42
Basic rental charge.....		70.82	83.84	100.61	117.36	121.36	127.59
Fair market rental charge.....		102.27	123.15	147.79	172.40	180.33	194.42

<sup>1</sup> Total income of the family less \$300 for each minor child and any income earned by a minor child.

<sup>2</sup> Rounded.

<sup>3</sup> Cost to tenant would exceed 30 percent of his monthly income in order to meet basic rental on this mortgage amount.

<sup>4</sup> Less than \$5.

Source: Department of Housing and Urban Development.

The committee considered various limits on eligibility of tenants based on their incomes. One proposal would have provided for the Secretary to establish maximum family-income limits, depending on family size, on the general basis of the cost, in the area, of providing standard rental or cooperative housing of modest but adequate construction. It is the committee's belief that this would have resulted in income limits substantially similar to the income limits presently in effect for admission to 221(d)(3) below-market interest rate housing. These limits, while consistent with the objectives of the 221(d)(3) BMIR program, were considered to be too high to give adequate assurance that the housing provided under this new program would be sufficiently available to families at income levels of greatest need.

With these thoughts in mind, the committee has set a general ceiling for eligibility for subsidized admission to one of these projects at 70 percent of the limits prescribed by the Secretary for occupants of projects in the same area financed with 221(d)(3) BMIR mortgages. These limits will serve to assure that this new program will be more directly aimed at serving those lower income families the committee believes are most in need of housing. However, in recognition of the fact that many families with incomes above the 70-percent level, but still within

the limits prescribed for the 221(d)(3) BMIR program, also find it impossible to obtain adequate housing they can afford, there has been provided an exemption from this general provision.

The exemption would permit 20 percent of the total amount of interest-reduction payments, authorized to be contracted to be made pursuant to appropriation acts, to be made available for projects in which some, or all, of the units will be occupied by tenants with incomes above the 70-percent limit, but still unable to meet the fair market rental for the unit which they occupy. This means that at least 80 percent of the aggregate amount of contract authority available at any time pursuant to appropriation acts must be reserved on behalf of the tenants whose incomes are no more than 70 percent of the 221(d)(3) BMIR income limits. This limitation refers to the aggregate number of those tenants who will receive the benefits of reduced rentals under this section. It does not require that there be an 80 percent—20 percent distribution in each project. Compliance with this provision will be determined on the basis of the income of the tenants at the time of the initial rent-up of the projects.

It should be pointed out that there is no prohibition against tenants occupying these projects who are able to pay the fair market rental. Since there is no subsidy given to occupancy by them, such occupancy would not fall within the 20-percent exemption.

For purposes of determining whether a family is within the income limits, \$300 would be deducted from family income for each minor person who is a member of the immediate family and living in the household and any income earned by such minor would be excluded from family income. The \$300 allowance for minors, however, could not be used to qualify a family whose gross income exceeds the income limits prescribed by the Secretary for that area.

In view of the added administrative details that can be expected with respect to these mortgages, the Secretary would be authorized to reimburse the mortgagee for its expenses in handling the mortgage.

To qualify for mortgage insurance under this section, a mortgagor would have to be a nonprofit organization, a cooperative, or a limited-dividend entity of the types permitted under section 221(d)(3) of the National Housing Act. In addition, the mortgage limitations with respect to maximum mortgage amount and the amount of the mortgage attributable to each dwelling unit would be the same as those for mortgages insured under section 221(d)(3).

Mortgage insurance would also be available under this section to enable a cooperative or private nonprofit organization to purchase a project from a limited-dividend mortgagor. In such a case, the Secretary would be authorized to insure the purchaser's mortgage in an amount not exceeding the value of the property at the time of purchase, thereby making it possible for the cooperative or nonprofit organization to borrow, under a single mortgage, the funds needed to obtain ownership, while enabling the limited-dividend seller to realize a net amount out of the sales proceeds in many cases sufficient to recover its cash, land, and other investment and to retire the outstanding mortgage. This will be especially useful in connection with the goal of attracting large amounts of private-equity money into the provision of low and moderate income housing through the establishment of na-



tional partnerships (proposed by title IX of the bill). It will give the limited-dividend mortgagor a ready means of disposing of his project, thereby making his investment more liquid and attractive.

A project insured under this section could include such nondwelling facilities as the Secretary deemed adequate and appropriate to serve the occupants of the project and the surrounding neighborhood, as long as the project was predominantly residential and any nondwelling facilities contributed to the economic feasibility of the project, with due consideration being given to the possible effect of the project's commercial facilities on other business enterprises in the community. The regulations of the Secretary would require that any commercial facilities in the project be rented generally at not less than the prevailing rental in the community for similar facilities. The extra receipts, thus derived from these facilities, would be used to reduce the cost of operating the project and thereby reduce the basic rental charges needed to be established for the project.

Where a project was designed primarily for occupancy by elderly or handicapped families (as defined in section 202 of the Housing Act of 1959), it could include related facilities for use of such families, such as dining, work, recreation, and health facilities.

Individuals of lower income under 62 years of age would be eligible for occupancy in a project, as long as no more than 10 percent of the dwelling units in the project were so occupied. In addition, up to 20 percent of the units in any one project could be occupied by tenants receiving rent-supplement benefits under section 101 of the Housing and Urban Development Act of 1965. The rent supplement for each tenant would be that amount necessary to bring the amount the tenant is able to pay up to the basic rental charge for his unit.

With approval of the Secretary, a mortgagor could sell the individual dwelling units to lower income purchasers, including elderly or handicapped, and these purchasers could qualify for individual assistance payments under the provisions of the new section 235.

Because of the lower rentals achievable under this program, authority is provided to transfer to, or refinance under this section, below-market interest rate projects under section 221(d)(3) of the National Housing Act which have not been finally endorsed for insurance and projects under section 202 of the Housing Act of 1959 which are still in the development stage or have just been completed.

Mortgages insured under section 236 would be the obligation of the new Special Risk Insurance Fund (proposed by section 104 of the bill). In connection with rental or cooperative projects in which the mortgage is foreclosed and the property conveyed to the Secretary, the committee expects the Secretary (as he would also do in connection with rent supplement projects) to operate the project at rental rates adjusted in accordance with tenants' income and consistent with the objectives of the program.

To provide authorization to assist in the construction or rehabilitation of about 700,000 units of housing for lower income families over a 3-year period, this section would provide authority to enter into contracts for assistance payments, subject to approval in appropriation acts, in the amount of \$75 million annually prior to July 1, 1969. This amount may be increased by \$100 million on July 1, 1969, and by \$125 million on July 1, 1970.

As under the new section 235, assistance under this new section 236 would be available in both urban and rural areas. However, insofar as the administration of the section in rural areas is concerned, the Secretary will assign to the Secretary of Agriculture necessary authority, along with appropriate transfer of funds, for the implementation thereof as agreed upon by the two Secretaries. Appropriations would also be authorized, pursuant to section 1003 of the bill, to pay for Agriculture's administrative expenses in connection with any such assignment.

This section would also amend section 207 of the Appalachian Regional Development Act of 1965 to permit the loans and grants available under that section to nonprofit sponsors of 221(d)(3) housing in the Appalachian region to be also available to such sponsors under the new section 236.

#### RENT SUPPLEMENT PROGRAM

Section 202 of the bill would make available an additional \$40 million in contract authority for rent supplement payments in fiscal year 1970, and an additional \$100 million in contract authority in fiscal year 1971.

The final increment of \$45 million of contract authority authorization under the rent supplement program provided by the Housing and Urban Development Act of 1965 will become available July 1, 1968, bringing to \$150 million the cumulative authorization under that act. Through the current fiscal year, \$42 million of contract authority has been approved in appropriation acts, leaving \$108 million still available. The budget for fiscal year 1969 requests approval of \$65 million of contract authority. If this amount is approved, \$43 million of the original contract authority authorization will remain available at the end of fiscal year 1969.

The rent supplement program is rapidly acquiring momentum and proving its worth. By the end of fiscal year 1969, 384 rent supplement projects with nearly 27,000 supplemented units located throughout the country are expected to be ready for occupancy. The remaining 18,000 units provided under approved contract authority through fiscal year 1968 are expected to be ready for occupancy in fiscal year 1970. The budget request of \$65 million in approved contract authority for fiscal year 1969 would provide about 72,000 units of supplemented housing. The total of \$83 million anticipated for fiscal year 1970 would provide about 92,000 units. The requested \$100 million for the following year would provide about 110,000 additional units.

The committee feels that the rent supplement program has demonstrated that it is a strong and flexible instrument emphasizing private ownership, private financing, and private management. It has also been strongly endorsed by private industry. The need for a vastly expanded supply of housing for low-income families is well recognized and the administrative procedures for the rent supplement program are now efficiently organized for prompt action to help meet this need. The new contract authority requested is the minimum needed to meet the goal of producing 1.75 million units of lower income housing in the next 3 years, as contemplated by this bill.

Section 202 would also authorize rent supplement payments on behalf of qualified tenants to eligible housing owners of projects financed



under a State or local program which provided assistance through loans, loan insurance, or tax abatements, if the project is approved by the Secretary for rent supplement benefits prior to the completion of construction or rehabilitation.

Under present law, rent supplement payments are restricted to projects financed with mortgages insured under sections 221 (d) (3) or 231 of the National Housing Act or projects financed by a direct loan under section 202 of the Housing Act of 1959.

This provision would, in effect, provide for a joint Federal-State-local sharing of the costs of subsidizing rentals for low-income persons. Since it applies only to new construction or rehabilitation, it would be consistent with the purpose of the rent supplement legislation to provide additional housing units for persons of low income in privately sponsored projects.

The committee expects that adequate control over these projects will be maintained by the Secretary through appropriate provisions in the rent supplement contracts to insure conformity with the requirements of the rent supplement program. It also expects the Secretary to exercise his discretion in approving these projects for assistance to assure that the Federal assistance is not made available in connection with projects which receive State or local assistance of little significance is helping to reduce the cost of providing the housing.

## PART B—LOW-RENT PUBLIC HOUSING

### INCREASED LOW-RENT PUBLIC HOUSING AUTHORIZATION

Section 203 of the bill would increase the authorization for annual contributions contracts for the low-rent public housing program by \$100 million on the date of enactment of the Housing and Urban Development Act of 1968, to be added to the \$47 million coming available on July 1, 1968, and by \$150 million on July 1 in each of the years 1969 and 1970.

This increased contract authorization would provide approximately 375,000 low-rent dwelling units over the 3-year period for the public housing program, the basic federally assisted program for supplying housing to the lowest income members of our society. Under the program, there are now in operation about 680,000 units with another 55,000 units under construction or soon to be put under construction.

This authorization is a key element in the President's program of providing 6 million low and moderate income housing units over the next 10 years. Major emphasis under this new authorization will be placed on production under the turnkey method, with about half of the units expected to be so provided. Emphasis will also be placed on the leasing of units in existing housing as well as the outright acquisition (with or without rehabilitation) of existing housing. This new authorization will also provide funds to continue the extensive modernization program now being carried out for older existing public housing.

The turnkey method, with its emphasis on the involvement of private enterprise in the production of public housing, has substantially expanded the productive capability of the public housing program.

Under this method private developers who own, or have an option to buy, land or improved property can contract to build housing on the land, or rehabilitate the property, for eventual sale to a local housing agency. This is the reverse of the standard method under which the housing agency first acquires the property by purchase or eminent domain, has the construction plans and specifications prepared by its own architects, and then has the construction done by general contractors.

Under turnkey, a low-rent project can be constructed in less than half the time traditionally required for public housing. It frees the builder from complicated and cumbersome procedures and stimulates his initiative to develop imaginative and well-designed buildings at a lower cost. The Department of HUD reports that the response of developers and local housing agencies to the turnkey concept has been enthusiastic, as evidenced by the fact that the number of turnkey units in some stage of development increased from 13,000 on January 31, 1967, to over 44,000 by January 31, 1968, with additional units in the application stage. The turnkey concept has already been extended to enable private industry not only to build public housing developments, but also to manage them.

The increased use of existing housing, by way of leasing private accommodations and the acquisition, with or without rehabilitation, of existing housing, has also enhanced the public housing program's ability to provide housing for low-income families in a timely manner. The new leasing program has already produced, as of February 1, 1968, over 30,000 dwelling units under annual contributions contract, about 10,000 of which were occupied or available for occupancy by low-income families. On the same date there were 7,700 acquired units under management.

Applications for public housing, in terms of number of units, are being submitted by local housing agencies at an increasing rate, demonstrating that the demand for public housing units will be great and continuing during the next decade. HUD reports that the number of units in the status of application pending has grown from about 35,000 in February 1966, to 68,000 in February 1967, to 125,000 in February 1968. In addition, there are about 96,000 units in the status of program reservation, and the remaining authorization from the 1965 act will cover only about two-thirds of these. Applications for additional units are being submitted at an annual rate of about 140,000 units.

This authorization will further permit the Department of Housing and Urban Development to accelerate its efforts to provide homeownership opportunities for public housing tenants. Homeownership for the lowest income families on Indian reservations has been achieved through a combination of "sweat equity" in construction, self-maintenance, and public housing assistance. The "turnkey" method has made it possible to secure the participation of private developers in Indian self-help developments and also the production of such housing by a "community action" type organization involving apprenticeship and home maintenance training with Office of Economic Opportunity assistance.

HUD has also undertaken a major effort to shift this type of activity to other than Indian areas where self-help in construction is



possible, such as rural areas and smaller communities. Most recently, HUD has developed a further modification of this program for those situations where a significant amount of self-help in construction is not possible. This program would provide homeownership to those low-income families who can build up an equity through self-maintenance of their homes and through payments which they can afford as their incomes increase and which can be applied to reduce the debt on their homes.

Additionally, HUD has been promoting homeownership under the leased housing program by devising methods whereby private owners will be encouraged to provide lease-purchase rights to low-income families. Specific proposals of this type are now under consideration together with related proposals involving cooperative ownership.

This section also would modify the existing authorization for public housing loans. Under existing law, the Department of Housing and Urban Development is authorized to borrow \$1,500 million from the Treasury to be used for low-rent housing loans. This ceiling has had the effect of limiting the amount of Federal loan commitments as well as the amount of loans actually disbursed, which does not reflect the fact that loan commitments do not normally result in the disbursement of funds but are used by the local housing agency as a backup to borrow private funds. This section would revise the existing law so as to make it clear that the \$1,500 million ceiling would apply only to Federal loans which the Secretary estimates will actually be disbursed, and not to Federal commitments which are not expected to result in actual outlays. This would provide the same flexibility as is presently authorized with respect to urban renewal loan commitments under section 102(e) of the Housing Act of 1949.

#### UPGRADING MANAGEMENT AND SERVICES IN PUBLIC HOUSING PROJECTS

Section 204 of the bill would authorize the Secretary of Housing and Urban Development to enter into grant contracts with local housing authorities to assist them, where necessary, in upgrading their management activities and providing tenant services to families living in low-rent housing projects, and would authorize appropriations in an amount not to exceed \$20 million in fiscal year 1969, and an additional \$40 million in fiscal year 1970, for this purpose.

Local housing authorities desiring financial assistance under this authorization would be required to submit applications to the Secretary, and these would be reviewed and acted upon on a case basis. The Secretary would have to be satisfied that the activities and services are needed and are beyond those which the local authority has provided or can provide with project income.

Many local housing authorities have been providing some management-related services to their tenants. However, the extent to which services can be provided is limited by the relatively small amounts of money available from project revenue after other project expenditures have been satisfied, and these underfunded programs have not met the real needs of tenants in improving their economic status and adjusting to urban life. This is especially true in the larger cities where the need for tenant services is the greatest and most urgent. The need for addi-

tional services because of the constantly increasing number and concentration of lower income, multiproblem families in public housing has been brought to the committee's attention on several occasions during recent hearings on housing and urban development legislation.

This authorization would provide funds to permit local housing authorities to play a basic role in seeing that coordinated services are provided tenants so as to help them achieve increased self-sufficiency and improvement of their economic and social situation, and facilitate the efficient and effective use of Federal, State, and local community program resources. The funds would be used to fill gaps where needed services are not available to public housing residents. They would also serve as seed money to stimulate the development by the community of new programs which would broaden services to public housing tenants.

Among the services to be provided would be counseling and referral services to advise low-income families and individuals as to the resources for job training and placement, education, welfare, health, and other services in the community, and to refer them to agencies with the appropriate expertise were necessary. Many families are also in need of counseling on such matters as housekeeping and diet practice, money management, and child care.

The local housing authority would work with community agencies and organizations so as to bring their activities and services to public housing neighborhoods. The local authority in turn would provide services which are not being provided by public and private agencies in the community and which are directly related to meeting tenant needs and providing a wholesome living environment, such as organization of youth group activities, senior citizen clubs, and credit unions. These services would not duplicate activities and programs in the community provided under Office of Economic Opportunity or Department of Health, Education, and Welfare sponsorship or other Federal departments and agencies.

This authorization would also permit local housing authorities to participate in activities directly concerned with improved tenant-management relationships. These would include encouraging and assisting tenants with the establishment of resident organizations, involving residents in those aspects of management policies and practices which affect their daily lives, and planning with the tenants a program of community activities and services. Because of the committee's belief that tenant participation is essential to the proper provision of the services and the operation of the programs that would be funded under the amendment, it has provided that preference shall be given to programs providing for the maximum feasible participation of the tenants in the development and operation of the services and programs.

#### PURCHASE OF UNITS BY TENANTS

Section 205 of the bill would amend section 15(9) of the U.S. Housing Act of 1937 to broaden existing law to permit local housing authorities to sell *any* low-rent housing units to tenants if such units are suitable for individual ownership. Existing law permits tenants to purchase *only* detached or semidetached units. This would permit the sale to a public housing tenant of any property owned by a local



housing authority so long as the property sold has sufficient individual identity (including cooperative or condominium units) to make it suitable for sale to, and occupancy by, the public housing tenant.

#### PUBLIC HOUSING IN INDIAN AREAS

Section 206 of the bill would amend the U.S. Housing Act of 1937 so as to permit public housing assistance for Indian families without regard to the present limitation which does not permit public housing programs to include a site which is on a farm or is an appurtenance to a farm. The existing limitation has presented difficulties in connection with conventional low-rent housing and mutual-help housing programs for Indians. Problems have developed concerning the location of a particular housing site, the use to which adjacent land is put, and the means of livelihood of the Indian participants in these programs. In some cases, the present limitation has the effect of permitting the use of certain sites, and prohibiting others, in connection with the same project on an Indian reservation. This amendment is intended to apply to all Indian reservations, whether they be State or National.

### Title III—Federal Housing Administration Insurance Operations

#### RESPONSIBILITY OF FHA IN PROVIDING HOUSING

The committee recommends that the Congress give serious consideration to the administrative dilemma with which the FHA is faced in trying to carry out the sometimes conflicting mandates of the Congress in the operation of its insurance programs. On the one hand, the FHA is asked through the administration of its programs to achieve the very desirable social purposes of rehabilitating slums and blighted areas and to assist in the provision of housing for low and moderate income families who cannot obtain decent housing at prices they can afford. On the other hand, the FHA has been asked to administer these programs at no cost to the Government over and above the receipts which can be realized by the FHA from fees and mortgage insurance premiums paid by those receiving the benefits of the programs.

In the earlier days of the FHA, it was entirely possible to achieve the objectives of its major insurance programs consistent with the requirements of section 203 and section 207 that "no mortgage shall be accepted for insurance unless the Commissioner finds that the project with respect to which the mortgage is executed is economically sound."

This committee recognizes that the subsequent enactment of several insurance programs designed specifically to promote the construction or rehabilitation of housing to accomplish worthwhile social objectives has required the FHA to accept progressively greater insurance risks.

Among the newer programs, the section 220 program, which is intended to provide housing through the rehabilitation of substandard housing and construction of new housing in areas cleared of slums, has been particularly troublesome. Such housing, located in areas with uncertain futures, entails substantially more risks than that in neigh-

borhoods of established and stable values. These risks are especially acute during the early stages of the development, while the area is in a transition period and the stigmas resulting from former conditions are being overcome.

Early in the 220 program it was found that the usual test of estimated value on completion of a project gave only limited recognition to the ultimate value of a project—the value which could be reached only upon the successful completion and upgrading of an urban renewal area. This inhibited building in urban renewal areas because the FHA's estimates of value, upon which the mortgage amounts were based, were usually markedly below construction costs. With the high investment requirements occasioned by low ratios of loan to actual costs of production, few investors could be induced to undertake projects in areas of then uncertain futures with potentially long rent-up periods to achieve sustaining occupancy.

In order to encourage building in urban renewal areas, the statute was changed to permit estimated "replacement cost" rather than "estimated value" to be used for determining maximum mortgage amounts. In this program, also, the FHA was not required to apply the test of economic soundness. These changes were made to encourage building by private entrepreneurs and acceptance of greater risks by the FHA so that the objectives of urban renewal could be accomplished.

In the section 221 program, designed to assist private enterprise in providing housing for low and moderate income families and displaced families, and in the section 231 program, housing for the elderly, the concept of replacement cost was adopted for new multi-family construction.

In order to meet the program objectives of housing for military personnel, the FHA also accepts greater than usual risks, because conservative value estimates, which would take into consideration the transient characteristics of servicemen and the shifting of military housing requirements with changes in missions of military bases, simply would not provide the housing needed.

The committee also recognizes that, in those programs which permit mortgages based on 100 percent of replacement cost for non-profit mortgagors, the risk element substantially exceeds that found in more conservative programs. However, the committee considers that the risk is acceptable in view of the desirability of attracting the investment in housing of well-motivated charitable and eleemosynary organizations, both locally and nationally based.

Some of the major criticism directed at the FHA in the past has been on the basis of its conservatism. If it was to assume a position of leadership in the encouragement of loans for important social objectives, such as the rebuilding of the central cities, it required direction from the congressional policymakers. Such direction in the section 220 urban renewal program was clearly and unmistakably provided by the Congress. The statutory term "economic soundness" was not included as a requirement and "replacement cost" was substituted for "value" with the genuine expectation that the social values involved, especially financial assistance to beleaguered cities seeking a sound and viable tax base, would bring results justifying increased risks. Where there



is no requirement for a finding of economic soundness, it is clear that substantial risks are to be assumed in order to attain the declared objectives of the particular housing program. Where the congressional directive is to utilize replacement cost estimates in lieu of value, an even greater emphasis is placed on assuming additional insurance risks.

Another area where the risk is large is that of rehabilitation. The work that has been done in rehabilitation has demonstrated that it can help provide the disadvantaged with decent, safe, and sanitary housing, often at lower costs than possible with new construction. But many unknown factors, not present in new construction, may be encountered. No one, no matter how experienced, can accurately determine what hidden structural conditions may cause the actual cost of rehabilitation of a building to exceed greatly the most informed estimates made before rehabilitation begins.

Another factor increasing the risk to the FHA is that, in both the home and multifamily rehabilitation programs, mortgage amounts are based upon the estimated cost of repair and rehabilitation plus the estimated value of the property before repair and rehabilitation. This concept of relating the mortgage amount to cost of rehabilitation rather than value can produce mortgage amounts which exceed an appraiser's estimate of the value of property upon completion and thus entails greater risks than the economically sound 203 and 207 programs. However, this committee recognizes that these concepts are necessary to encourage the production of housing to meet the needs of the families intended to be aided and that preserving and upgrading the Nation's inventory of salvable housing is one of the better ways to achieve the goal of providing decent housing.

The committee considers that rehabilitation of existing housing will provide this country with one of its most effective tools for providing adequate housing. Although many new techniques are being developed for rehabilitation, there is much need for new, bold, and untried approaches to the problem of economical rehabilitation of existing housing. Much experimentation on an increasingly larger scale needs to be done. As in any experimentation, the committee recognizes that the risk of failure in untried methods of rehabilitation is great. However, the committee considers that the value of the experience to be gained by trying new techniques of rehabilitation is well worth the risk of economic loss to the FHA of an occasional experiment. No experiment should be considered to be a true loss if it has provided decent housing and the experience leads to better methods of rehabilitation.

This committee has been faced with two major questions which require study and resolution by the Congress. First, can the FHA operate within the present statutory language to accomplish the social objectives of the so-called high-risk programs, or is further broadening language needed? Second, operating even within the present statutory language, is there adequate protection for the soundness of the FHA reserve funds?

The reserve funds of the FHA, derived from its premium and other income, are reported to be short of the reserve requirements estimated by the FHA as being necessary for program obligations in the event of a serious and extended economic recession. The losses in recent

years, particularly in socially oriented programs, have been rising so that the gap between the available reserves and the reserve requirements will probably increase. Part of this problem can be attributed to the fact that some of the newer programs administered by FHA have had, and may possibly continue to have indefinitely, greater losses than the amounts of premium and fee receipts. For these programs, no reserves have been accumulated or can be confidently anticipated. Another part of the disparity between reserves and reserve requirements may be explained by the fact that, for all programs, including those with adequate premiums, the risks for all insured cases are highest in the early years following insurance, prior to receipt of principal premium collections. Most of the socially oriented programs are relatively new as compared to FHA's regular programs. In these programs, disparities between reserves and reserve requirements for entire programs will be evident for several years following any period of unusual increase in insurance activity. Thus, the greater the amount of new business put on the books, the greater the disparity will be between reserve requirement and actual reserves. Only after years of operation of a program does the actual accumulated reserve approach the estimated reserve requirements.

It is evident that some of the newer high-risk programs, such as those authorized by sections 101, 102, and 201 of this bill, will have higher claim ratios and hence a higher reserve requirement than typical for the older programs such as 203 and 207. This problem was first recognized in 1961 when the Congress, in establishing the section 221(d) (3) below-market interest rate program, authorized FHA to waive the mortgage insurance premium and to call upon the Treasury to make up losses in the insurance fund to compensate for actual losses experienced.

The committee in its deliberations this year considered the need for additional Treasury support to supplement (or replace) premium income on other socially desirable programs. As a result, it decided that, for the two new homeownership programs proposed by sections 101 and 102 and the new rental and cooperative program proposed by section 201, as well as for the new authority provided in section 103 to insure mortgages in order, declining neighborhoods, a special FHA insurance fund should be established with specific authorization for appropriations to make up any deficits.

The committee believes that this action is all that is necessary at this time. However, it will continue to study the problem in light of the establishment of the new special risk fund.

The committee expects FHA, within the framework of existing law and utilizing the new powers granted in this bill, to provide more effective direction to operating officials to have them accept greater but justifiable risks to help provide decent housing for the country's less privileged citizens. It also expects FHA to provide support in the form of training materials and supervisory assistance to the operating officials so that a minimum amount of time will elapse between the enactment of this bill and its implementation at the local level.

The committee heard testimony during the hearings which indicated that the FHA could be "geared up" to operate and start making commitments under the new programs and amendments contained in this



bill within 6 months after funds had been appropriated for the housing programs contained in the bill.

In this connection, the committee believes that the Secretary of HUD should submit to the committee a report at the end of 6 months after funds have been appropriated on the FHA commitments made to date and whether or not adequate mortgage credit is available for the programs established by this bill for the benefit of the lower income families.

#### MORTGAGE INSURANCE PREMIUMS FOR SERVICEMEN AND THEIR WIDOWS

Section 301 of the bill would amend section 222 of the National Housing Act to permit payment of FHA mortgage insurance premiums by the Secretary of Defense or the Secretary of Transportation (for the Coast Guard) in cases where a serviceman assumes a home mortgage previously insured under any other provision of the National Housing Act. Under present law, a serviceman may receive this benefit only when he purchases a home and places a new mortgage on it under the provisions of section 222.

Under this section, a serviceman would be able to receive the benefits of section 222 and, in many cases, also be able to take advantage of lower closing costs, since the closing costs charged when assuming an existing mortgage are usually lower than those charged when the purchaser must originate a new mortgage. Also, the existing mortgage may carry an interest rate more favorable than that obtainable by taking out a new loan.

In addition, this section would also direct the Secretary of Defense or the Secretary of Transportation to continue making the premium payments for a widow of a serviceman who dies in the service for two years after his death or until she sells the house, whichever occurs sooner. The Secretaries would be directed to notify promptly the widow of the increased cost she would have to bear upon the termination of the payment of the insurance premium at the end of the 2-year period.

#### SEASONAL HOMES

Section 302 of the bill authorizes the financing of new seasonal housing with mortgages insured by the Federal Housing Administration. The amount of a mortgage could not exceed \$15,000 and 75 percent of the appraised value of the property. The dwelling would not need to be designed for year-round occupancy, but it would be required to meet standards prescribed by the Secretary, and be located in an area where the Secretary finds it is not practicable to obtain conformity with many of the requirements essential to the insuring of mortgages on housing in built-up urban areas. The property with respect to which the mortgage is executed could be an acceptable risk rather than meet the FHA economic soundness requirements applicable under FHA's regular mortgage insurance programs. In determining whether the property is an acceptable risk, the Secretary would give consideration to the economic potential of the area in which the dwelling is located and the contribution that the housing will make toward improving the area. In addition, this section authorizes the Secretary to suspend the issuance of commitments for mortgage insur-

ance on seasonal homes in any area whenever he determines that: (1) There is a serious and unusual shortage of mortgage funds for residential construction in such an area; (2) that insuring such seasonal housing would materially and adversely affect the availability of mortgage funds for residential construction in such an area; and (3) such suspension would not have an adverse impact upon the balanced economic development of the area.

In carrying out this program, the Secretary would, of course, be governed by the provisions of present laws that are designed to prevent water pollution and other health hazards resulting from housing being built without adequate community water and sewerage services. The committee is aware that much of the housing to be financed under this program will be located in areas that are not presently served by public or community water and sewer systems. In order to avoid pollution of local water sources, it is expected that the Secretary will insist upon the installation of public or community systems in those instances where it is determined to be economically feasible. Any private systems installed would, of course, have to comply with the standards prescribed by the Secretary.

#### MODIFICATIONS IN TERMS OF INSURED MORTGAGES COVERING MULTIFAMILY PROJECTS

Section 303 of the bill would add a new section 239 to the National Housing Act to require that any request for the extension of time for curing a default on an FHA-insured multifamily mortgage, or a modification of the terms of such a mortgage, be approved by the Secretary of Housing and Urban Development in accordance with regulations prescribed by him. During the period of modification or extension any rents or other funds (such as security deposits) derived from the mortgaged property in excess of that needed to meet operating expenses would be required to be held in trust by the mortgagor and distributed only with the consent of the Secretary.

This section is designed to discourage distribution of rental income of multifamily projects to stockholders of a mortgagor corporation or individual owners where such income should be used to meet mortgage payments. Where it is thought that a mortgage property probably will not generate enough income to meet mortgage payments, there is a temptation for the owners to divert funds received from rentals to their own use and to allow the mortgage to go into default in order to recoup their investment in the project and even to show a profit in the investment.

Civil actions have generally proven inadequate as a means of discouraging such actions or of recovering all diverted funds. Section 303 would provide criminal penalties for such willful diversion of funds by a mortgagor or a stockholder, director, officer, or agent of the mortgagor during the period in which the time for curing a default has been extended or the terms of the mortgage modified. The maximum penalty would be a fine of not more than \$5,000 or imprisonment of not more than 3 years, or both.

The Secretary in his regulations could provide for granting consent to an extension or modification of a mortgage in any case or class of



cases without regard to the requirements of the regulations where he determined such action would not jeopardize the interests of the United States. However, in the case of such exempt mortgages, the knowing and willful use, or authorization of such use, of any part of the rents or other funds derived from the mortgaged property for any purpose other than to meet actual and necessary expenses (including amortization) while the mortgage is in default would carry a similar penalty.

#### CONDOMINIUMS

Section 304 of the bill would amend section 234(c) of the National Housing Act to provide the same downpayment requirements and maximum mortgage limitations for the FHA condominium program as are currently in effect under the regular section 203 home mortgage insurance program. This would be done by increasing the maximum mortgage limits from 75 to 80 percent of the appraised value of the property in excess of \$20,000. It would also amend section 234(f) to permit blanket mortgages to cover four or more family units instead of the present limitation to five or more units.

In addition, section 304 would further amend section 234(c) to authorize FHA insurance for the individual units in a condominium project with two to 11 dwelling units without requiring that the project be first covered by an FHA-insured project mortgage. Condominium ownership has proven to be a useful and flexible tool in providing homeownership opportunities and in the upgrading of deteriorated housing in older neighborhoods. This amendment would facilitate its usefulness by authorizing insurance for condominium units in small projects without the expense of an unnecessary project mortgage and dual title transfer.

#### INSURANCE OF LOANS FOR PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

Section 305 of the bill would add a new section 240 to the National Housing Act to authorize FHA to insure loans made by private lending institutions to finance the purchase by homeowners of fee simple title to the property on which their homes are located.

In Hawaii and in other States some homeowners have only long-term leaseholds in the property on which their homes are located. Many of these homeowners would like to purchase the fee simple title but find it difficult to finance the purchase. Unless they are able to pay cash, it is usually necessary for them to refinance their existing home mortgages or place second mortgages on their homes, either of which entails additional expenses and frequently higher interest rates than on first mortgages.

FHA insurance of loans for the purchase of fee simple title, as authorized by this section, would provide a source of credit to homeowners at reasonable costs and obviate the need for refinancing of an existing mortgage. Loans insured under this section could not exceed the lesser of \$10,000 or an amount which, when added to any outstanding indebtedness related to the property, would create a total outstanding indebtedness not exceeding the amount of an insured first mortgage under section 203(b) which would be used to purchase the home if the entire property were being purchased. The term of the

loan could not exceed 20 years, and would bear interest at a rate not to exceed that which the Secretary of HUD finds necessary to meet market conditions; but in no event in excess of 6 percent. However, pursuant to the provisions of section 316, which would amend Public Law 90-301, recently passed by the Congress, the Secretary would be authorized up to October 1, 1969, to set the interest rate in excess of 6 percent if he deemed it necessary in order to meet the mortgage market.

This section would also amend section 5(c) of the Home Owners Loan Act of 1933 to permit Federal savings and loan associations to invest in these loans.

**EXTEND 221 (d) (2) SALES HOUSING PROGRAM FOR TWO-, THREE-, AND FOUR-FAMILY RESIDENCES TO ALL LOW AND MODERATE INCOME FAMILIES**

Section 306 of the bill would authorize mortgage insurance under section 221(d) (2) of the National Housing Act for the purchase by low or moderate income families of two-, three-, and four-family residences where one of the units is to be occupied by the mortgagor. Under present law, only families holding certificates of eligibility as displaced persons are eligible for mortgage insurance under section 221(d) (2) for such residences.

A large number of two- to four-family properties are available in older neighborhoods of many cities which could appropriately be rehabilitated or offered for sale to low and moderate income families under the favorable terms of section 221(d) (2). This amendment would augment the supply of housing available to such families. In addition, ownership of these properties by occupant families would provide a more stabilizing influence in arresting the decline of older neighborhoods than would absentee ownership.

**REMOVE DIVIDEND RESTRICTION FOR NONDWELLING FACILITIES IN SECTION 221 PROJECTS**

Section 307 of the bill would remove the requirement that mortgagors of section 221, market interest rate multifamily projects located in urban renewal areas waive the right to receive dividends on their equity investment in the portion of the project devoted to community and shopping facilities, where these facilities are designed to serve the needs of others than residents of the project. The dividend restriction would continue to be applicable with respect to the investment in such facilities for section 221 below-market interest rate projects in urban renewal areas.

Under present law, projects insured under section 221 of the National Housing Act may include commercial and community facilities adequate to serve the occupants of the project. If a 221 project is located in an urban renewal area, nondwelling facilities are permitted to the extent considered desirable and consistent with the urban renewal plan. This permits commercial and community facilities adequate in size to serve the neighborhood, rather than just the occupant of the project, and is consistent with the nondwelling facilities permissible for projects insured under section 220 of the National Housing Act. If these larger facilities are developed as a part of the project,



the mortgagor is required, under present law, to waive its right to receive dividends on the equity invested in the community and shopping facilities.

The amendment would encourage the construction of market-interest rate projects, the type of projects eligible for rent supplement benefits, with the type of nonresidential facilities that are needed to serve the urban renewal area in which the project is located. The non-dwelling facilities could include stores, doctors' offices and clinics, recreational, community, and other facilities. By including such non-dwelling facilities as part of the housing project, employment opportunities for project and neighborhood residents would be increased. Also, modern community and shopping facilities could be provided that are not available in the neighborhood.

Deleting the restriction on receipt of dividends would not affect the authority of the FHA to establish maximum rents and charges for commercial and community space in such projects. Also, the requirement that the FHA give due consideration to the possible effect of the project on other business enterprises in the community would remain in effect where the nondwelling facilities proposed were in excess of that considered adequate to serve the occupants of the project.

#### SUPPLEMENTAL LOAN PROGRAM FOR PROJECTS FINANCED WITH FHA INSURED MORTGAGES

Section 308 of the bill would add a new section 241 to the National Housing Act to permit the Secretary of HUD to insure supplemental loans to finance improvements, repairs, and additions to multifamily rental projects (including nursing homes and housing for the elderly) and group practice facilities financed with an FHA-insured mortgage. This financing would supplement existing insured mortgages and would be available without refinancing the existing mortgage. Similar authority is now contained in sections 213(j) with respect to cooperative housing and 220(h) with respect to properties in urban renewal areas.

The FHA-insured supplemental loans would be limited to 90 percent of the Secretary's estimate of the value of the required improvements, repairs, and additions, and to an amount which, when added to the outstanding balance of the existing mortgage, did not exceed the basic mortgage limitation of the program under which the project was financed. The loans would bear interest at such rate as the Secretary of HUD found necessary to meet market conditions, but not in excess of 6 percent. However, pursuant to Public Law 90-301, recently passed by the Congress, the Secretary would be authorized, up to October 1, 1969, to set the interest rate in excess of 6 percent if he deemed it necessary to meet the mortgage market. Construction financed by these loans would be governed by the labor standards provisions of section 212 of the National Housing Act applicable to the program under which the mortgage covering the project or facility is insured.

In connection with improvements to either a nursing home or a group practice facility, the supplemental loan proceeds would also be available for financing equipment to be used in operating the home or facility. These are the only two programs in which equipment items are

permitted to be financed with the proceeds of the basic mortgage under which the project is originally developed. (Sec. 315 of this bill contains an amendment adding this authority for nursing homes.)

The insurance on these loans would be the obligation of the general insurance fund, except for loans for cooperative projects insured under section 213 and loans for the new rental and cooperative projects insured under section 236 (proposed by sec. 201 of the bill). In the former case, the insurance would be the obligation of the cooperative management housing insurance fund, and, in the latter case, the obligation of the new special risk insurance fund (proposed by sec. 104 of the bill).

The committee believes that the need for providing a flexible program of supplemental financing, available to all FHA-financed projects, has amply been demonstrated. Experience gained through the operation of the nursing homes program has indicated that nursing homes, which were initially restricted in size and facilities by limitations imposed either by State authorities or by FHA at the time the projects were built, need to expand their space and facilities to meet changing conditions. Present FHA provisions offer no assistance for financing the expansion of a nursing home that has proven a need for larger facilities, unless this can be done as a part of a plan for the complete rehabilitation of the project and a refinancing of the existing mortgage. In many instances, a complete rehabilitation of the nursing home is not needed, while the refinancing of the existing mortgage could result in a higher interest rate for the total indebtedness. It is anticipated that similar problems will occur with the mortgage insurance program for group practice facilities as soon as more operating experience is gained under the program.

There is also a need for providing, through a supplemental loan, long-term financing for the major new items of equipment needed for placing in operation an addition to either a nursing home or a group practice facility. Nursing home and medical equipment is highly expensive. If a provision for its financing is not included in the long-term supplemental loan, short-term financing would have to be used with large monthly payments.

While the committee does not feel that the need for supplemental loan authority is as great for the other multifamily housing programs, as in the case of nursing homes and group practice facilities, instances have arisen in section 207 and 608 projects, and will probably arise in the future in rent supplement and other rental projects, where repairs or additional facilities may be needed and where the expense or refinancing could be avoided if supplemental loans were available.

#### HOME IMPROVEMENT LOANS—INCREASE IN MAXIMUM MATURITY, FINANCE CHARGE, AND LOAN AMOUNT

Section 309 of the bill would increase the present maximum dollar limitation on property improvement loans made by financial institutions insured under title I of the National Housing Act for single family and other properties from \$3,500 to \$5,000 and the maximum maturity limitation from 5 years and 32 days to 7 years and 32 days. The maximum finance charge on loans up to \$2,500 would be changed



from a discount of \$5 to \$5.50 per \$100 of original face amount, and for that portion of a loan above \$2,500 the discount permitted would be changed from \$4 to \$4.50 per \$100. The present maximum dollar limitation of \$15,000 and the maximum 7-year and 32-day maturity for title I loans for properties with two or more dwelling units would remain unchanged.

The \$3,500 limit has been in effect since 1956 and the increase in maximum loan amount to \$5,000 is needed to meet the increasing cost of home repair and modernization work. Extending the payment period to 7 years and 32 days will enable needed repairs to be made by homeowners who could not afford the monthly payments required by the shorter term. The increase in discount rate is required to meet money market conditions under which lenders no longer find title I lending as attractive as making similar loans at higher rates on an uninsured basis. From 1956 to 1966 the annual number of FHA title I loans decreased 52 percent, although during this same period the number of owner-occupied single family homes increased by 25 percent.

The new discount rates of \$5.50 and \$4.50 would be well under rates now charged for non-FHA insured property improvement loans. Lending institutions which have ceased making title I loans in favor of conventional loans are charging an average of \$6 to \$7 discount.

Currently, FHA has indicated the typical title I loan is for \$1,300, repayable in 42 months. The effective rate of interest paid by the borrower on such a loan is 9.23 percent per annum; the amount of such interest is \$226.32. By increasing the discount rate on the first \$2,500 to \$5.50, the effective rate of interest for the same loan would be 10.16 percent with the amount of interest being \$250.26. The increased yield would cost the typical borrower 57¢ a month.

It is estimated that the proposed increase in the amount of loan along with the higher yield will increase the number of loans insured annually from the present 450,000 to approximately 800,000 to 900,000. Increasing the maximum amount of the loan without increasing the yield to lenders would not, it is believed, increase title I business to any appreciable extent.

FHA helps the homeowner avoid incompetent and unreliable contractors by compiling and furnishing insured lenders a list of contractors who have conducted their activities improperly. When a homeowner complains that work is not done right, FHA has been successful in practically all cases in getting the contractor to correct it where the complaint is shown to be justified. In addition to FHA's administrative procedure for effectively dealing with the unreliable contractor, any alleged criminal irregularity on the part of a contractor or salesman is investigated by the FBI and appropriate action is taken by the Department of Justice. Many States have patterned their laws, to protect the consumer, after the regulations in effect for title I loans, so that the title I program has had a much broader effect than can be measured by the volume of business.

The committee recognizes that in order to make the title I program more effective and again popular with lenders, it is necessary to extend the term, increase the maximum amount, and provide for a higher yield on these loans. At the same time, the committee recalls the abuses

to which the title I program was subjected by unscrupulous salesmen and dealers in the early fifties, and it is also aware of many abuses which have arisen in the very recent past in conventional home improvement programs which have been established by lenders without any Government support. While the committee has agreed to the amendments to the title I program described above, it feels that the Secretary of HUD, through his administration of this program, must continue, and perhaps enforce to a greater degree, his regulations designed to prevent abuses in this program.

#### EXPERIMENTAL HOUSING PROGRAM

Section 310 of the bill would amend section 233 of the National Housing Act, the FHA experimental housing program, to make the program available for use in connection with all FHA programs. At present, section 233 is available only with respect to properties and projects meeting the requirements of one of the other sections of title II of the National Housing Act. The experimental housing program would now be authorized to be used in connection with land development projects or group practice facilities where the mortgages are insured under titles X and XI, respectively, which were enacted subsequent to section 233.

The FHA experimental housing program was added by the Housing Act of 1961. This program has enabled the FHA to underwrite and encourage a number of useful and highly successful experiments in new housing design and construction, in the rehabilitation of older housing, and in the use of different types of building materials. The pace of development of ideas for new and different housing has increased very rapidly during the past few months and the FHA is becoming increasingly involved in experimental projects. The construction and associated industries have begun to realize the extent of the housing problem faced by most of our major cities and are now seeking new techniques for resolving this problem.

The future use of the FHA section 233 program, however, would be limited unless a change is made in the requirements imposed by the Senate Committee on Banking and Currency in reporting on S. 1922, the bill which became the Housing Act of 1961. The committee report on this bill on May 19, 1961 (Rept. No. 281) contains the following statement on page 15 with respect to the experimental housing program:

The committee believes that mortgage insurance under this program should not be written in an aggregate amount which would result in estimated claims exceeding \$1 million.

The FHA, as well as the housing industry, has profited from the use of the experimental housing program. As of this date, the FHA has not received any insurance claims on mortgages insured under the program. However, a careful check on the extent of the insurance risk exposure has been maintained and it is estimated that the \$1 million limitation will soon be reached. Under the circumstances described above, the committee believes that the restrictions contained in the 1961 committee report should no longer be applicable.



#### TERM OF FHA INSURED MORTGAGES FOR LAND DEVELOPMENT

Section 311 of the bill would amend section 1002(d)(1) of the National Housing Act to extend the maximum maturity for land development project mortgages from 7 to 10 years and to give the Secretary discretion to extend the term for a longer period in case of unusual or unforeseen circumstances in order to avoid undue hardship to the mortgagor. This will provide the necessary flexibility for those occasional land development projects where a longer mortgage maturity may be needed, while still keeping the term of the mortgage within a reasonable period in relation to the type of land development normally financed under this program.

#### REHABILITATED MULTIFAMILY PROJECTS IN URBAN RENEWAL AREAS

Section 312 of the bill would amend sections 220 and 221 of the National Housing Act to permit FHA mortgage insurance under these sections to be made available for the purchase of multifamily structures which have been rehabilitated by a local public agency under the authority which would be provided by the proposed amendment (under sec. 504 of the bill) to section 110(c)(8) of the Housing Act of 1949. Mortgages to finance the purchase of the properties could also be insured under the new section 236 of the National Housing Act (proposed by sec. 201 of the bill).

Under the present law, FHA mortgage insurance for multifamily structures is available only in connection with properties which are newly constructed or substantially rehabilitated subsequent to the issuance of a commitment for mortgage insurance by FHA. This limitation, which would deny FHA mortgage insurance to multifamily properties rehabilitated under the proposed amendment to section 110(c)(8) of the Housing Act of 1949, would substantially impede the marketability of these rehabilitated properties.

There is no need to apply this standard FHA statutory limitation against insuring mortgages on existing multifamily properties, since the rehabilitation will be carried out by the local public agency pursuant to standards similar to FHA-financed rehabilitation and under requirements established by HUD in connection with the urban renewal program. Rehabilitation work performed by private contractors will also be subject to the same labor requirements as apply to FHA-financed work.

#### MISCELLANEOUS HOUSING INSURANCE

Section 313 of the bill would make five technical amendments to section 223 of the National Housing Act to permit refinancing of a FHA mortgage insured under any section or title of the National Housing Act as well as insurance of an FHA mortgage assigned to the Secretary or executed in connection with a sale of an acquired property under any section or title of the act. Under present law this authority is limited to specific sections enumerated in section 223, and must be amended each time a new section is added to the National Housing Act. It would also permit payment in cash of an insurance claim, instead of just debentures, in connection with a mortgage assigned to the Secretary or a mortgage executed in connection with the sale of an ac-

quired property. This latter amendment would make this provision consistent with the rest of the FHA program.

Section 313 would also amend section 223(d) to permit an insured project loan covering a 2-year operating loss to bear interest at the current rate in effect at the time of its insurance, instead of at the time of the original mortgage loan. It would also establish the debenture interest rate applicable to the insurance settlement on such loan at the rate in effect at the time the commitment to insure the loan was issued or the date the loan was endorsed for insurance, whichever rate is the highest.

Under the present provision, the loan covering the 2-year operating loss is limited to the interest rate of the original mortgage and the debentures issued in an insurance settlement on such loan bear interest at the same rate as those issued in connection with the original loan.

With the recent increase in interest rates, lenders have become extremely reluctant to grant a loan to cover a 2-year operating loss on a project where this additional loan is limited to the interest rate of the original loan. This amendment is necessary in order to make mortgage money available for this type of loan. These loans serve the essential function of providing a project that has experienced losses during the first 2 years of operation an opportunity to readjust its books and pay off the loss over the remaining term of the mortgage. This loan can mean the difference between success or failure for a project that has achieved a sustaining level of occupancy, but has accumulated an operating loss during its early years.

#### SUPPLEMENTARY LOANS FOR COOPERATIVE HOUSING PURCHASED FROM THE FEDERAL GOVERNMENT

Section 314 of the bill would amend section 213(j) of the National Housing Act to authorize mortgage insurance for supplementary loans to housing cooperatives which purchased wartime housing, covered by an uninsured mortgage for part of the purchase price, from the Federal Government. Where the mortgage on the property is dated more than 20 years prior to the date of the commitment to insure and the loan is for major rehabilitation or modernization, as determined by the Secretary, the loan may have a maturity date not more than 10 years in excess of the remaining term on the uninsured mortgage.

These supplementary loans could be made for the same purposes as supplementary loans made to cooperatives with mortgages insured under section 213—improvements or repairs to the property; community facilities necessary to serve the occupants; and financing for resales of memberships. The same terms would apply as to regular 213 cooperatives, except for the amendment with respect to the maturity of the loan.

The uninsured mortgages on these properties are now held by FNMA under its management and liquidating operation and carry interest rates far below those currently available. These cooperatives are unable to obtain conventional loans for the purposes for which a supplementary loan could be made without refinancing the mortgages so as to give the lender a first lien. FHA insurance of supplementary loans would provide financing for these desirable purposes without necessitating the refinancing of the entire mortgage at an unfavorable interest rate.



## EQUIPMENT IN NURSING HOMES

Section 315 of the bill would amend section 232 of the National Housing Act to permit the cost of major items of equipment needed to operate a nursing home to be included in the insured mortgage. Similar authority is presently provided for group practice facilities under title XI of the National Housing Act.

Major items of equipment such as hospital-type beds and other necessary hospital-type equipment and expensive X-ray and therapy equipment are essential items to the operation of a nursing home. Under present provisions, these items are financed independently of the FHA-insured mortgage under separate, short-term loans which bear interest at high rates. Because of the vital need for having the equipment to operate the project, a mortgagor encountering any difficulty in meeting loan payments is inclined to be more concerned with making payments on the short-term loans covering equipment items than in meeting mortgage payments, because the equipment will be removed if the loans are not maintained in a current status. This operates to the disadvantage of the mortgagee and the FHA because it may result in default under the mortgage which might not have occurred if the mortgagor had been able to finance the various equipment items under the blanket FHA insured mortgage with the advantage of the longer term and lower financing charges incident to the FHA mortgage financing.

Financing the equipment items under the blanket FHA insured mortgage would be desirable in another way. Under present provisions, the FHA has been faced with the problem of taking over nursing homes in which the equipment is not covered by the FHA-insured mortgage and is subject to chattel mortgages or conditional sales contracts. This has necessitated the FHA either paying off the existing loan on equipment located in the project at the time it takes over the project or buying new equipment to replace that taken over by the finance company.

The committee wishes to emphasize that this provision would apply only to costly, major items of equipment which are necessary to the continued operation of a nursing home, and not to such items as normal housekeeping equipment and items of furniture.

## FLEXIBLE INTEREST RATES FOR CERTAIN FHA INSURANCE PROGRAMS

Section 316 of the bill would amend Public Law 90-301 to permit the Secretary of Housing and Urban Development to establish a maximum interest rate, for three new mortgage insurance programs authorized by this bill, at the level which he believes necessary to meet market conditions. Public Law 90-301 provided authority to the Secretary, until October 1, 1969, to establish the interest rate ceilings on certain FHA insurance programs at such rates as he believes necessary to meet market conditions, without regard to the statutory ceilings applicable to those programs. This amendment, which would apply to the new programs of insurance for loans to acquire fee simple title by lessors (proposed under sec. 305) and the new program for supplemental loans for multifamily projects (proposed by sec. 308), as well as to the

authorization for mortgage insurance for nonprofit organizations under the new section 235(j) (1) (proposed in sec. 101), would be consistent with the intent of the Congress in passing Public Law 90-301.

#### SALE OF REHABILITATIVE UNITS IN MULTIFAMILY STRUCTURES

Section 317 would expand the category of rehabilitated units eligible under the section 221(h) program for sale to low-income families with mortgages bearing a below-market interest rate (presently 3 percent). Under present law, the blanket mortgage to the nonprofit sponsor must cover five or more single-family dwellings of detached, semidetached, or row construction. This section would reduce the minimum number of units to four and also make eligible, under a condominium ownership plan, projects involving four or more one-family units in a multifamily structure.

Under the section 221(h) program only deteriorating or substandard housing is eligible for rehabilitation and sale to low-income families. In many neighborhoods, however, such housing consists predominately of multifamily rather than single-family structures. The committee believes that this amendment would more effectively carry out the purpose of the section 221(h) program.

#### FHA INTEREST RATE CEILINGS

The committee considered a provision which would have removed statutory interest rate ceilings for FHA-insured mortgages and which would have authorized the Secretary of HUD to set interest rates at levels he found necessary to meet the mortgage market. Such a provision would also have operated to remove the present interest rate limitations on VA-guaranteed loans which are tied by statute to the rate for FHA insured home mortgages under section 203(b) of the National Housing Act.

Instead, the committee reported out similar legislation in connection with the recently enacted Public Law 90-301 which authorizes only a temporary waiver of statutory interest rate ceilings until October 1, 1969.

The committee felt that opportunity should be given for a comprehensive study of the entire subject of the availability of mortgage credit and interest rates before final action was taken. It authorized, therefore, appointment of a Commission to study these matters and report to the President and the Congress by April 1, 1969, in ample time for recommendations to be acted on with respect to the temporary waiver of the statutory ceilings. In case it is decided not to continue the Secretary's discretion in setting interest rates to meet the mortgage market, a provision was approved making the statutory ceiling for all FHA programs uniform by raising to 6 percent those ceilings presently below that figure.

The committee wishes to make it clear that if the Secretary's temporary authority is allowed to expire on October 1, 1969, any commitments to insure mortgages issued by FHA or Veterans' Administration prior to that date may be honored after that date at the same interest rate in effect at the time the commitments for insurance were issued.



## Title IV—Guarantees for Financing New Community Land Development

The purpose of this title is to aid private entrepreneurs in building well-planned new communities. These new communities can provide a new kind of urban living, one which offers a major alternative to the runaway, sprawled growth that threatens to overwhelm our metropolitan regions with costly and inefficient development. With support from this program, some of our urban growth can be channeled into wholly new communities that can provide homes, jobs, schools, and the best advantages for raising children; all in convenient proximity to each other.

Development of these communities would also provide needed additions to the general housing supply; provide opportunities for innovation in technology and land use planning; enlarge housing, employment, and investment opportunities; and encourage a diversified local homebuilding industry.

The title authorizes the Secretary of Housing and Urban Development to guarantee the bonds, debentures, notes, or other obligations issued by new community developers to help finance approved new community development projects. In making such guarantees the Secretary would take into account: (1) The large initial capital investment required, (2) the extended period before initial returns can be expected, (3) the irregular pattern of cash returns characteristic of such investment, and (4) the financial interests of the United States.

These guarantees should overcome the two major obstacles currently preventing greater private effort in this field. Because of their scale, new community development projects require large capital investments to acquire the necessary land and to install the basic facilities needed to ready the land for later development. For a large project, this capital requirement can call for borrowing at any one time of up to about \$50 million and raising such sums for this relatively new type of investment opportunity has proven extremely difficult. After the initial investment is made, there is an extended period during which planning and installation of site improvements is carried on. During this period, also, large expenditures for debt service, for general overhead, and for State and local taxes are required. These expenses (most of which must be incurred before building sites can be sold to generate income) can create insurmountable strains on the developer's financing.

The proposed guarantee program would go a long way toward resolving these difficulties by opening up to new community developers new sources of private capital willing to invest large amounts on favorable terms. With the security of Federal guarantees, large private investors (including those not interested in the usual mortgage investment field) would be willing to provide financing geared to the realities of internal cash flow in new community development projects. Terms for payment of principal and interest, for example, could take account of the time lag between initial expenditure and the start of cash returns from sales. Such financing would enable a developer to get through that critical initial period during which there is no return on investment. In the long run, of course, the development of a

soundly-conceived new community would produce the returns necessary to pay off the loans.

Accordingly, the guaranteed bonds, debentures, or notes could be issued in amounts large enough and for periods long enough to permit the financing of an entire new community. This is not to say that the obligations should in all cases be issued in such amounts. On the contrary, whenever a very large new community will be built in two or more major stages and where the completion of a major stage would in itself result in a site suitable for a self-sufficient, well-balanced community, an opportunity is presented, without diminishing the benefits of large-scale, well-balanced development, to test the market in stages and to minimize financial risks both to the developer and to the guarantee fund. Such opportunities should be taken.

Federal guarantees would cover the principal obligation on loans in an amount not to exceed the lesser of (1) 80 percent of the Secretary's estimate of the value of the property on completion of the land development or (2) the sum of 75 percent of the Secretary's estimate of the value of the land before development plus 90 percent of his estimate of the actual cost of such development. The bonds, debentures, notes, or other obligations of the developer would be taxable and would have interest, maturity, and repayment provisions satisfactory to the Secretary. The principal obligations guaranteed with respect to a single project could not exceed \$50 million, and the aggregate of outstanding principal obligations guaranteed under the title could at no time exceed \$500 million.

The maximum guaranteed loan amount is based in part on the Secretary's estimate of the "actual cost" of land development and in part on his estimate of the "value" of the land before development. The distinction between cost and value reflects awareness of the fact that much, and sometimes all, of the land that will underlie the new community will in many cases have been acquired well in advance of the application for the guarantee of development loans. It is neither practical nor fair to disregard substantial increases of value after land acquisition that took place well in advance of the application.

However, the committee is also aware that land valuation is not a precise science. Accordingly, to safeguard against excessive loans based on excessive land valuations, the bill would provide that only 75 percent of the estimated value of the land, as contrasted with 90 percent of the estimated cost of the site improvements, will be counted in calculating the maximum borrowings eligible for guarantee. Further, the committee intends that the greatest care be exercised by the Department of Housing and Urban Development in the valuation of land in carrying out this title.

In making an estimate of value to the greatest extent possible, reliance should be placed on recent actual prices in arm's length sales transactions of the land involved or of nearby comparable land. Also, while it is reasonable to disregard, as unrepresentative of present values, transactions made at considerably earlier periods when local land values were much lower, it is equally important that unusually high prices paid for remaining parcels needed to round out a site, or resulting from the guarantee application becoming known to sellers, be considered as unrepresentative of values of the site as a whole.



Similarly, while it is reasonable to take into account rising sales prices resulting from the influx or expected influx of population or of commerce or industry into the area, it is definitely not the intention of the committee that the valuation take into account the increased values resulting from the guarantee expected to be issued under this title, and the development made possible by that guarantee, as distinct from normal growth that would have been expected in any event.

The committee expects that land valuations under section 405(a) (4) (B) will be fully supported by all reasonably available data; and that in all cases, where land valuations exceed actual prices paid by the developer or paid in the latest arm's length transactions, the reasons for the valuation will be fully explained and documented.

It should also be noted that, in calculating the actual costs of land development for the purpose of determining the maximum guaranteed loan, the Secretary is authorized to include a reasonable allowance for profit on construction work if the new community development firm does the actual work itself or where there is other identity of interest between the new community developer and a construction contractor. This allowance should be based on normal practices of the marketplace.

To cover any liabilities incurred as a result of guarantees made under this title, a revolving fund would be established comprised of: (1) Fees and charges the Secretary would be authorized to collect; (2) recoveries under subrogation rights and other receipts obtained in connection with the guarantees; and (3) such appropriations as may be required for program operations, nonadministrative expenses, and making any payments under the guarantee. The full faith and credit of the United States would be pledged to payment of the guarantees. On or before January 1, 1970, the Secretary would make a report to Congress on the level of fees and other charges which he estimates would be adequate to provide income sufficient for a self-supporting program.

To be eligible for assistance, a proposed new community development project must be economically feasible; have a financing plan satisfactory to the Secretary; and have an internal development plan which: (1) Has been found consistent with approved comprehensive planning being carried on for the area in which it is located, (2) has received all governmental approvals required by State or local law or by the Secretary, and (3) provides reasonable assurance that the development will contribute to good living conditions and will include a proper balance of housing for families of low and moderate income.

The requirement that there be included "a proper balance of housing for families of low and moderate income" contemplates that there will be a substantial, and not a token, supply of housing for persons of low and moderate income. This is essential in order to obtain the intended benefits of the new community legislation. One of these benefits is to provide to consumers of all income levels an increased choice as to the type of their living environment, including one in which homes, jobs, shopping, schools, and other facilities are all in convenient proximity to each other. It will not be necessary in all cases to provide all types of housing and industrial and commercial facilities on the land which is being newly developed, since there will be instances where the

new community development is adjacent to an existing community. It is intended, however, that there be a good balance taking into consideration the area as a whole.

The potential benefits of the program are enormous. It would better enable the private housing market to offer to consumers of all income levels the choice of a new type of living environment, one in which homes, jobs, and schools are all near each other. Creation of such communities would be a major alternative to the ugly development that now threatens to overwhelm so much of our metropolitan regions. The program could also be used to help revitalize smaller communities which are some distance from metropolitan centers, giving them the basic advantages of new communities. This would help to strengthen regional economies and to stem the out-migration of people from our predominantly rural areas.

The program would also offer substantial assistance to the Nation's housing industry by releasing new sources of investment funds, meeting the land supply needs of builders, and creating opportunities for more efficient and economical housing and community development operations. Of particular importance is the fact that the development of new communities would provide a continuing supply of housing sites for small builders, who are presently experiencing difficulties in obtaining raw land and in financing basic improvements.

Small builders are often unable to compete with large subdivision developers in obtaining building lots needed by them for an orderly and efficient production schedule. While they will not have the resources to initiate the development of an entire new community, their participation in building within the community will be needed. This is so because the variety of construction types within the community will normally require a variety of special skills, including those of the small builder. Section 409 provides that the Secretary shall adopt such requirements as he deems necessary to assure that new community construction assisted under the title will encourage the maintenance of a diversified local homebuilding industry and broad participation by builders, particularly small builders.

Along with these benefits, new communities can offer a number of other important advantages, including a way to conserve more of the rapidly disappearing open lands in urban areas; a means of reducing the costs of needed public facilities, such as water and sewer trunklines (which are now helping to escalate local taxes); an opportunity to introduce new technologies and new ways of city building; and a positive way to encourage desirable metropolitan growth and to meet the needs and aspirations of those citizens who prefer to live in smaller cities.

To encourage localities to use Federal-aid programs in support of privately sponsored new communities, the title also includes a program of incentive grants. Under this program a community constructing certain federally assisted facilities to serve a new community development is eligible, in addition to the basic grant, to a supplementary grant covering an additional 20 percent of actual construction costs. The incentive grant benefits, however, would be limited to those new community projects which will make available a substantial number of housing units for low and moderate income persons. Also in no case



would the total Federal contribution to the cost of such community facilities exceed 80 percent of the total cost of the facility. The Federal programs which would be eligible for the additional grant assistance are the basic water and sewer and the open-space land programs of the Department of Housing and Urban Development and the water and waste disposal facilities program of the Farmers' Home Administration. Appropriations, not to exceed \$5 million for fiscal year 1969, and not to exceed \$25 million for fiscal year 1970, would be authorized for this program. These incentive grants should encourage local governments to supplement, where appropriate, the improvements made by the private developer. In administering this title, the Department of Housing and Urban Development should consult with the Department of the Interior to assure itself that each new community assisted under the title is so designed as to meet the requirements of Federal and State law then in effect respecting water pollution.

Other Federal programs, such as the section 701 urban planning assistance program, the public facility loans program, and the public works planning advance program would also be available, without any supplemental aid, for localities wishing to use them in support of new community development. Some minor amendments are proposed in these programs in order to permit their appropriate utilization.

In summary, this title's new community program would provide another choice in housing and community living for the additional 43 million Americans (including those of low and moderate income) that will be living in urban areas within the next 12 years. It would do this by giving support to the public-private partnership that has traditionally been called upon to achieve the Nation's objectives in housing, renewal, and urban development.

## **Title V—Urban Renewal**

### **NEIGHBORHOOD DEVELOPMENT PROGRAM**

Section 501 of the bill would add a new part B to title I of the Housing Act of 1949, which would authorize the Secretary of HUD to provide financial assistance to local public agencies to assist them in carrying out "Neighborhood Development Programs." A neighborhood development program would consist of urban renewal project undertakings and activities in one or more urban renewal areas that are planned and carried out on the basis of annual increments. The requirements governing these undertakings and activities would be similar to those governing the provision of Federal financial assistance for regular urban renewal projects now provided for under title I.

Under the existing urban renewal program, a community determines the boundaries of an area needing urban renewal. Then it applies for survey and planning funds to prepare a detailed plan for renewal of the area. Upon approval of the plan, Federal loans and grants become available to carry out the renewal activities set forth in the plan. This system has worked effectively in areas for which it is possible to prepare an urban renewal plan with assurance that the activities taking place over the several years following preparation of the plan can be expected to fit into that plan without serious change.

In recent years, many cities have found that it is not always best to deal with blight in terms of complete treatment of small areas one at a time. These communities have large residential areas with relatively evenly distributed deterioration and blight. The present urban renewal program, with its requirement for detailed and complete planning, is not structured to deal with these problems in the most effective manner.

A key element of the new neighborhood development program is its focus on the staging and timing of activities in order to achieve systematic accomplishments. The program will permit annual renewal activities that will result in net achievements in and of themselves. Under this system, there need be no real lag between the decision that an area is in serious physical condition and the beginning of actual activities to correct these conditions. It will permit more rapid and effective rehabilitation and development activities to take place on the basis of a broad plan specifying major land uses, density of development, and the public facilities proposed for the area.

Plans governing the physical activities would be flexible, and changed circumstances or needs would not require the scrapping of prematurely prepared detailed plans. Under this approach, rehabilitation activities can proceed along with public improvements, and detailed planning and scheduling of subsequent activities would proceed simultaneously with actual development in the area.

Under the neighborhood development program, the contract for loan or capital grant for the annual increment of a program could cover activities in several contiguous or noncontiguous urban renewal areas, and the funding would be based on the amount of loan and grant funds needed to carry out the activities planned during a 12-month period in each of the urban renewal areas contained in the community's program. Thus, it has the advantage of utilizing urban renewal funds to meet current activities, in contrast to the procedure under the present program of reserving funds several years in advance of needs. There would be no obligation to fund beyond the immediate 12-month period for which a contract has been entered into, but, if funds were available and a community's program was acceptable to the Secretary, the community could anticipate receiving financial assistance based on its needs for subsequent annual increments of its program. It would also be possible to reserve the funds estimated to be needed for the succeeding year when the contract for the present year is entered into.

Although there would be a computation of project cost at the end of each 12-month period, financial settlement at the end of the period may not be possible because of the inability in that period to dispose of all the land acquired during the year or to complete or place under contract all public improvements planned for that year. In such cases, any loans outstanding would be continued until all moneys due to be received under the contract for that year would be received, or, in the alternative, the carried over financial items may be merged with the financing for a subsequent increment. If the proceeds from land sold by the public agency and land retained by it for use in accordance with the urban renewal plan exceed the total project cost for any annual period, the local agency would be required to pay to the Secre-



tary two-thirds of the excess, or three-fourths in the case of a program on that grant basis.

Local grants-in-aid would generally be calculated as they are under the present urban renewal program. However, the determination of their eligibility would be based on whether their construction started no more than 3 years (under sec. 110(d)) prior to the authorization by the Secretary of the first contract for financial assistance under a community's program which includes the urban renewal area which is benefited by the public improvement or facility for which credit is claimed; or 7 years (under sec. 112(b) relating to colleges and hospitals) prior to the date of authorization by the Secretary of the first contract for financial assistance under the program which includes the urban renewal area which is benefited by the expenditures for which credit is claimed. A noncash grant-in-aid would only be eligible for inclusion in computing the gross project cost of a program for any 12-month period, if its construction has commenced and only to the extent of the amount actually expended or obligated by contract.

In addition, there would be a provision to prevent pooling of excess noncash grant-in-aid credits from a neighborhood development program with other urban renewal projects being carried out by a community. However, any excess grant-in-aid credit from regular urban renewal projects could be pooled for the benefit of a neighborhood development program. Also noncash credits which are in excess of what is needed for any annual increment would be available to be applied toward the local share of the cost of subsequent annual increments.

As for presently authorized urban renewal projects, a workable program for community improvement would have to be in existence (at the date of authorization of a contract for financial assistance for each annual increment); the present relocation requirements would apply to each annual increment, and the local approval and public hearing requirements would have to be met. Since planning and project execution activities in most cases would be taking place simultaneously especially in the early years of a program, the Secretary would be authorized to permit the urban renewal plan to cover one or more of the urban renewal areas embraced by a program and to allow the plan to meet such requirements as to scope and content as he deems appropriate, taking into consideration the degree of detail needed in the plan to carry out properly and expeditiously the activities and undertakings proposed in any annual increment.

This new program does not imply the elimination of the present urban renewal approach. It will remain available to localities wishing to use it. The present approach will still be essential for those projects where significant changes in land use require assurance that the project is planned and undertaken as a single enterprise.

The new program will provide communities with a means of more closely tying in their renewal activities with their capital improvement programing and the annual allocation of their budgeted resources to meet their most pressing needs. It will enable them to deal better with the large areas that must be handled as a totality so that needed public improvements can be installed early throughout the area while planning proceeds.

Families displaced from one portion of the area can be relocated into good housing provided for them in another part of the area. Many of these areas will be neighborhoods covered under the model cities program and the added flexibility provided by this approach should enable closer coordination of that program with the urban renewal program.

#### INCREASED AUTHORIZATION

Section 502 of the bill would increase the amount of grant funds available for urban renewal and other title I activities by \$1.4 billion on July 1, 1969. An increase of \$350 million in the amount of funds available for urban renewal projects in model cities areas is also provided.

The title I authorization covers urban renewal projects, urban renewal demonstration programs, code enforcement programs, demolition grants, relocation grants, rehabilitation grants, community renewal programs, and the neighborhood development program proposed in section 501. This latter increase would be available on the date of enactment of this bill.

This authorization, which would enable the present pattern of advance funding to continue, is essential to meet the existing and prospective demands for title I assistance throughout the Nation. The backlog of urban renewal applications on hand at the end of the last fiscal year included grant requests in excess of \$1.75 billion. The number of applications eligible for positive action was somewhat reduced by the imposition of more stringent requirements to meet program objectives by giving priority consideration to those projects which advance national goals responsive to the urgent needs of our cities. These goals are—

1. The conservation and expansion of the housing supply for low and moderate income families.
2. The development of new employment opportunities.
3. The renewal of areas with critical and urgent needs.

Nevertheless, it is now estimated that the backlog at the end of the current fiscal year will be approximately \$1.7 billion. Furthermore, based on the number of new communities to adopt workable programs for community improvement and their general practice of applying for urban renewal assistance, it is estimated that approximately 60 such communities will apply annually for title I grants.

This increased authorization, along with the increase in funds available for renewal activities in model cities areas, will enable greater efforts to be made to stop the insidious blight which is overwhelming the older neighborhoods of our cities. It will also permit increased efforts to preserve and increase the supply of low and moderate income housing, in accordance with the 10-year goal to eradicate substandard housing in the Nation.

#### REHABILITATION GRANTS

Section 503 would amend section 115 of the Housing Act of 1949 to increase the rehabilitation grant that can be made to low-income homeowners from \$1,500 to \$2,500 and make a technical amendment to authorize the payment of funds to otherwise qualified recipients for



rehabilitation work on their "real property" used for dwelling purposes.

The proposed increase in the maximum grant from \$1,500 to \$2,500 will materially serve to diminish the hardships for low-income homeowners, many of whom are elderly, who would be unable otherwise to undertake or complete rehabilitation of their property. Moreover, it will further contribute to a higher level of rehabilitation accomplishment and with it greater neighborhood stability in urban renewal and concentrated code enforcement projects areas. This assistance has been very useful in helping these homeowners retain their homes, when displacement would have been the only other alternative. However, the cost of rehabilitation has been such that \$1,500 has proven to be too low in many areas. The \$2,500 limit should better enable them to meet current costs for the types of rehabilitation usually required.

The substitution of the term "real property", for the term "structure" now contained in section 115, will also permit the use of grant funds for required rehabilitation relating to aspects of the property other than the dwelling structure itself, such as unsafe walks or driveways, or fences and other structures related to the dwelling, but excluding landscaping not essential to the continued occupancy of the structure.

This section would also expand the scope of the section 115 rehabilitation grant program so as to permit its use with respect to property which is in an area which the local governing body certified to the Secretary of Housing and Urban Development contains a substantial number of structures in need of repairs and improvements and which is scheduled for rehabilitation or concentrated code enforcement within a reasonable period of time. The repairs and improvements to the property would have to be consistent with the plan for rehabilitation or concentrated code enforcement. The present provision limits such grants to urban renewal and concentrated code enforcement areas.

Grants under the expanded authority could be made, through the utilization of local public agencies where feasible, to otherwise qualified owner-occupants to cover the costs of repairs and improvements necessary to make their dwellings conform to public standards for decent, safe, and sanitary housing. Grants could only be made, however, if there is a workable program in effect in the locality.

This authorization would provide needed assistance to low-income homeowners who live in blighted and deteriorating areas which are planned for rehabilitation or concentrated code enforcement in the near future, but who otherwise would be required to await financial assistance until rehabilitation and code enforcement activities can be undertaken. Provision of financial assistance at an earlier date will both alleviate hardship for the low-income homeowner and facilitate the execution of the planned urban renewal and concentrated code enforcement projects.

#### REHABILITATION IN URBAN RENEWAL AREAS

Section 504 of the bill would amend section 110(c)(8) of the Housing Act of 1949 to remove the present limitations on the acquisition and rehabilitation of residential properties by a local urban renewal

agency. Under present law a local public agency carrying out an urban renewal project may only acquire and rehabilitate, for demonstration purposes, structures containing no more than 100 units or 5 percent of the total residential units in the urban renewal area, whichever is less.

This authority, which was added by the Housing Act of 1961, has permitted local agencies to acquire a limited number of properties, and rehabilitate the property to show other property owners how their properties can be brought up to the standards of the urban renewal plan for the area. Once the property has served this purpose, it is sold by the local agency at its fair market value for private use.

To the extent that this authority has been used for demonstration purposes, it has been successful and useful. However, it has pointed up a further need in those urban renewal projects where substantial numbers of residential properties are capable of being rehabilitated, but the owners are either unwilling or unable to rehabilitate the properties themselves. This most often occurs with multifamily structures. In these cases, the local public agency has no choice but to acquire the properties and then attempt to find someone willing to purchase them and undertake the rehabilitation. Frequently such purchasers cannot be found and the property must be demolished.

Too often salvable properties are removed at a greater total cost to the Federal Government and the local public agency then would occur if the local agency were able to rehabilitate the property and then sell it for its market value. The proposed new authority should help to prevent this from occurring, and thereby preserve many otherwise useful residential properties. Permitting the local public agency to undertake rehabilitation on a larger scale should also bring about more efficient rehabilitation by allowing a large number of units to be worked on together under one contract, thereby hopefully reducing the cost of rehabilitation.

To permit purchasers of multifamily property, rehabilitated pursuant to this authority, to obtain FHA mortgage financing, section 312 of the bill would amend sections 220 and 221 of the National Housing Act to make such properties eligible as explained under section 312. Mortgages insured under the new section 236 of the National Housing Act (proposed by sec. 201 of this bill) could also be placed on these properties. These amendments should significantly assist in the provision of more adequate housing for families of low and moderate income.

#### DISPOSITION OF PROPERTY FOR LOW AND MODERATE INCOME HOUSING

Section 505 of the bill would amend section 107(a) of the Housing Act of 1949 to make it clear that urban renewal land may be disposed of for low as well as moderate income housing purposes and to permit this disposition to be done by lease as well as by sale. It would also permit land to be sold to a mortgagor qualified under the new FHA 236 program (proposed to be added by sec. 201 of the bill) and to nonprofit organizations under the new FHA 235(j)(1) program (proposed to be added by sec. 101 of the bill), as well as those organizations under FHA's 221(h) program, which will rehabilitate the property and sell it to low or moderate income families or individuals.



These amendments will make more useful the present provisions of this section by giving greater scope to its authorization to sell urban renewal project land at a lower price to encourage the provision of low and moderate income housing. This authority has been an important instrument in encouraging the provision of such housing in urban renewal areas. It will be even more important now when used in conjunction with the new neighborhood development program.

#### GRANTS FOR LOW AND MODERATE INCOME HOUSING IN OPEN LAND PROJECTS

Section 506 of the bill would amend section 103(a)(1) of the Housing Act of 1949 to permit grants to be made for urban renewal open land projects (which now only qualify for loans) in an amount not to exceed two-thirds of the difference between the proceeds from any land disposed of at its value for low or moderate income housing (pursuant to the provisions of sec. 107 of the act) and the proceeds which would have been realized if the land had been disposed of at its fair value without regard to the special provisions of section 107.

This provision supplements other provisions of this bill designed to achieve a substantial increase in the volume of low and moderate income housing. Obtaining sites for such housing developments is becoming increasingly difficult in many of our urban areas. This amendment will encourage local public agencies to make land within urban renewal open land projects available for the development of low and moderate income housing. At the present time, without Federal grant assistance, there is no incentive to the local public agency to sell the land at the lower price frequently needed if the land is to be used for low and moderate income housing purposes.

This amendment would place a local public agency, selling land within an open land project for low and moderate income housing purposes, on the same footing as a local public agency selling land for such purposes within other types of urban renewal projects. In these other projects, the difference in land receipts increases the projects cost by that much. This increase is shared two-thirds by the Federal Government and one-third by the local agency. Since no grants are presently permitted for open land projects, there is no way this difference can be shared. By authorizing a Federal grant for two-thirds of this difference, parity is established in this important area.

#### URBAN RENEWAL LOAN CONTRACTS

Section 507 of the bill would amend section 102(c) of the Housing Act of 1949 to permit a local public agency, with consent of the Secretary of HUD, to borrow funds to finance project undertakings on the private market at an interest rate in excess of the Federal lending rate set out in its loan contract with the Government. The full difference between the interest cost on the private market and the interest cost at which the local public agency could have borrowed from the Federal Government under its loan contract would be made up by a supplemental grant from the Government. A local public agency following this procedure, and thereby amending its loan contract for this purpose, would not be governed by the provisions of section 110(g) of

such act which require all loan contracts (originally executed prior to September 2, 1964) on their first amendment after that date to have incorporated in them a provision for periodic revision of the Federal lending rate.

This amendment is necessary to assure that local public agencies (whose loan contracts were executed prior to September 2, 1964, and have not been amended to provide for periodic revision of the interest rate) continue to secure their loan funds from private sources. Recent experience in the sale of preliminary loan notes indicates that interest rates on the private market may exceed the interest rates specified in the loan contracts of these local agencies, most of which were entered into prior to the present high interest rates. If that occurs, they would be precluded from borrowing on the private market and would have to seek their loan funds from the Federal Government. This eventuality would have an undesirable budgetary impact in terms of unanticipated loan disbursements and would place a severe strain on the limited urban renewal borrowing authorization for loans and advances. It is anticipated that the need for this authority would gradually disappear as these older contracts are completed or are amended for some other purpose, at which time section 110(g) would necessitate inclusion of a provision for the periodic revision of the interest rate (now every 6 months).

While the committee agrees that this amendment will be helpful in local urban renewal undertakings and has included this provision in the bill, the committee believes that LPA's, when borrowing in the private market, should obtain loans at the lowest cost possible. The committee, therefore, expects the Secretary to promulgate such rules and regulations as are necessary to assure that LPA loans are at the lowest interest rates available so that the Federal subsidy will be held to a minimum.

#### PROJECT COMPLETION PRIOR TO DISPOSITION OF CERTAIN PROPERTY

Section 508 of the bill would amend section 106 of the Housing Act of 1949 to add a new subsection (i) which would permit the Secretary of HUD to allow an urban renewal project to be closed out where: (1) Not more than 5 percent of the total acquired land remains to be disposed; (2) the local public agency does not expect to be able, due to circumstances beyond its control, to dispose of that land in the near future; (3) all other project activities are completed; and (4) the local public agency has agreed to dispose of or retain such land in the future for uses in accordance with the urban renewal plan. It would also amend section 110(f) of that act to include in the amount of land proceeds, for the purpose of computing net project cost, an amount equal to the value of this land not yet disposed.

In a number of instances, HUD reports that its experience has been that final closeouts of urban renewal projects have encountered substantial delays because of the problem of disposing of residual land (slivers), usually occasioned by minor but necessary plan adjustments, such as the realignment of a highway or other minor boundary adjustment. These delays have resulted not only in increased project costs, and therefore increased Federal grants (because of continuing



carrying charges and related local administrative costs), but additional administrative costs to the Federal Government as well. In order to stop these costs from running, this amendment would permit the value of the land to be included as part of land proceeds in the computation of net project cost and the final Federal grant made accordingly.

#### DEMOLITION GRANTS

Section 509 would expand the demolition grant program, authorized under section 116 of the Housing Act of 1949, to permit grants for the demolition of structures that constitute harborages or potential harborages for rats. Such grants are presently available to assist in demolishing only those structures which are structurally unsound or unfit for human habitation.

The present demolition program has been of great assistance to many cities in clearing out structures which are unsound and unfit for human habitation. These structures are often abandoned and if left standing can help to blight a whole block or neighborhood. Another serious problem involves structures, usually abandoned, which harbor rats or have a definite potential for rat harorage. Under present law, nonresidential structures in this category, which are not structurally unsound, cannot be demolished with assistance under this program.

While this amendment would permit the demolition with Federal assistance of a structure of this nature, whether residential or nonresidential, the committee feels that it should not be used on major structures such as large factories. This demolition could be carried out, as under the present program, on a planned-neighborhood basis or as part of a systematic rodent control program being undertaken in the neighborhood, and might well involve structures such as sheds and garages. It would be subject, however, to all the other present requirements of section 116. The committee expects the Secretary of HUD in administering this new authority to only approve the demolition of nonresidential buildings, which are considered to be rat harborages or potential rat harborages, when these nonresidential buildings are in close proximity to residential areas which would be affected by any rats that may be harbored in the buildings. The committee believes that this expansion of the demolition grant program will materially assist communities in carrying out their comprehensive rodent control programs.

#### AIR RIGHTS SITES IN URBAN RENEWAL AREAS

Section 510 would amend section 110 of the Housing Act of 1949 to authorize the carrying out of air-rights urban renewal projects, and the construction of necessary foundations and platforms, for the development of educational facilities. Under present law, these activities may be assisted only when they are for the provision of low or moderate income housing, or, if the site is unsuitable for such housing, for industrial development. As in the case of industrial development, an air-rights project, as well as the construction of foundations and platforms for any urban renewal project at project expense, could only be used for educational facilities if it was unsuitable for low

or moderate income housing purposes. The use of such sites for educational facilities could alleviate the difficulties being experienced by many communities in securing suitable locations for new schools.

#### INTERIM ASSISTANCE FOR BLIGHTED AREAS

Section 511 adds a new section 118 to title I of the Housing Act of 1949, under which the Secretary of Housing and Urban Development would be authorized to make grants to a city, other municipality, or county to assist it in taking interim steps to alleviate harmful conditions in any slum or blighted area of the community which is planned for substantial clearance, rehabilitation, or federally assisted code enforcement in the near future, but which needs some immediate public action until permanent action can be taken.

The committee has been concerned for some time about the plight of residents and property owners in slum or blighted areas which are planned for clearance, rehabilitation, or code enforcement. It is essential that there be a quicker response to the needs of the residents of these areas. The period between the announcement of planned community action and the time when work begins can be crucial to the viability of these areas. It is during this interim period that the supply of credit in the neighborhood ends, when there are no community improvements, and when further deterioration sets in. This section would permit the community to implement some of the needed public improvements to provide a suitable living environment.

This program would enable communities to undertake such immediate short-term actions as: (1) Repairing serious deficiencies in the streets, sidewalks, parks, playgrounds, publicly owned utilities, and public buildings located in the area to the extent needed to maintain or restore the basic livability of the area until permanent action can be taken (no new construction or major capital improvements would be permitted); (2) the improvement of private properties to the extent needed to eliminate the most immediate dangers to the public health and safety; (3) the demolition of structures deemed unsound or unfit for human habitation and which are a public nuisance and a serious health and safety hazard; (4) establishment of temporary public playgrounds on vacant land such as those lots which have been cleared of unsound structures; and (5) improvement of such public services in the area as garbage and trash collection and street cleaning.

The committee has also included a provision requiring the Secretary to encourage, wherever feasible, the employment of otherwise unemployed or underemployed residents of an assisted area in carrying out the activities and undertakings assisted under the section. In the types of areas in which this program will be undertaken, there exist not only problems of severe physical deterioration, but also numerous human and social problems, including inadequate employment of those living there. The committee believes that these residents should be given an opportunity to be employed in carrying out the federally assisted activities in the area and desires that the Secretary encourage this wherever feasible. The committee also recognizes that this type of employment would generally be of a temporary character and would not solve the employment problems of these residents. It therefore



also desires that the Secretary develop procedures, in consultation with the relevant Federal agencies, to assure effective utilization of Federal manpower and training programs in order to increase the general employability of the residents used in carrying out the assisted activities. The combination of these manpower and training programs and the employment provided under this program can hopefully lead to full-time permanent employment of these residents.

Grants could not exceed two-thirds of the cost of planning and carrying out an interim assistance program, except that three-fourths grants could be made to any community with a population of 50,000 or less according to the most recent decennial census. A community would have to have a workable program for community improvement to qualify for assistance, and relocation assistance and payments would be available to anyone displaced as the result of an interim assistance program. The contracts which the Secretary could enter into to make grants under this new authority could not exceed \$20 million in any fiscal year.

#### REHABILITATION LOANS

Section 512 would amend the rehabilitation loan program under section 312 of the Housing Act of 1964 so as to continue it until October 1, 1970. The program would also be expanded to permit its use outside urban renewal and code enforcement areas with respect to owner-occupied residential property in need of rehabilitation and in violation of local minimum housing codes. The property would have to be located in an area which the local governing body certified to the Secretary of HUD contains a substantial number of structures in need of rehabilitation and which is scheduled for rehabilitation or concentrated code enforcement within a reasonable time. The rehabilitation of the property would have to be consistent with the plan for rehabilitation or code enforcement. Loans could only be made if there is a workable program in effect in the locality.

This authorization, in conjunction with similar authorization for rehabilitation grants (proposed in section 503), would provide needed assistance to homeowners who live in blighted and deteriorating areas which are planned for rehabilitation or concentrated code enforcement in the near future. These homeowners should not be required to await financial assistance until rehabilitation and code enforcement activities can be undertaken. The period between announcement of planned community action and the time when work begins can be crucial to homeowners in these areas whose properties need rehabilitation. Provision of financial assistance at an earlier date will alleviate the hardship for the homeowner and should facilitate the execution of the planned rehabilitation and code enforcement projects.

#### LOW AND MODERATE INCOME HOUSING IN RESIDENTIAL URBAN RENEWAL AREAS

Section 513 would repeal the present requirement of section 105(f) of the Housing Act of 1949 that each urban renewal project which is to be redeveloped for predominantly residential uses must include a substantial number (interpreted as 20 percent or more of the units)

of standard housing units of low and moderate cost. It would substitute a requirement that a majority (over 50 percent) of the housing units provided in all urban renewal areas to be redeveloped for such residential uses and which receive Federal recognition after the date of enactment shall be standard housing units for low or moderate income families or individuals. This would permit the Secretary of HUD to apply the more stringent percentage on an aggregate basis, rather than on a project-by-project basis.

This amendment reflects the committee's concern that the present emphasis in urban renewal on the provision of housing for persons of low or moderate income be continued and reinforced, in view of the urgent need for housing at these levels. While the committee has noted with approval the priority which the Department of Housing and Urban Development has recently established for projects providing such housing, a stronger legislative mandate appears desirable. The existing statutory requirement that a substantial number of standard housing units at this level be included in each urban renewal project redeveloped for predominantly residential uses, with "substantial number" administratively defined to mean at least 20 percent of the units, inadequately reflects both current program requirements and the national need for such housing. The substitute provision, requiring a majority of the housing units provided in such areas to be standard units for low or moderate income families or individuals, is more clearly addressed to the urgency of this need. In order to avoid imposing the new requirement retroactively to some projects previously approved for planning, it would apply only to urban renewal areas receiving Federal recognition after its enactment into law.

#### NEIGHBORHOOD DEVELOPMENT ORGANIZATIONS

The committee considered a proposal to fund the operation of neighborhood development organizations through the Department of Housing and Urban Development for the purpose of promoting citizen involvement at the neighborhood level in determining the housing and urban development needs of the neighborhood and coordinating the efforts of the neighborhood residents with those of other public and private bodies in improving the neighborhood. It was decided that the most appropriate place to encourage such organizations would be in those areas in which a comprehensive model cities program was being carried out with assistance under the 1966 legislation. With this in mind, the committee does not believe that any further legislative authority is needed. The authority for supplementary grants to model cities agencies is broad enough to permit those agencies to use part of the supplementary grants made to them for the purpose of providing general operating support to a neighborhood development organization. We expect the Department of Housing and Urban Development to be sympathetic to the proposals of model cities agencies to so use supplementary grant funds, since financial assistance to this type of organization should be most helpful in effecting the statutory objective of widespread citizen involvement in model city demonstration programs.



## PREDOMINANTLY RESIDENTIAL URBAN RENEWAL PROJECTS

The committee considered an amendment which would have further restricted the use of Federal urban renewal funds for nonresidential projects. The amendment would have required that at least 65 percent of future urban renewal funds would be available for projects which are developed for predominantly residential uses. The committee rejected the amendment principally because of concern that such a rigid requirement would adversely affect the use of urban renewal in small cities of the Nation where nonresidential development is vital to the economic life of the community.

However, the committee subscribes to the direction and emphasis which the amendment implies. It is this kind of goal to which the Department should aspire.

The committee notes and approves the reorientation in the urban renewal program which has taken place under LPA letter 418 and which has resulted in more funds being allocated to projects predominantly residential in their reuse. The committee also approves the current policy of providing for a greater percentage of housing for low and moderate income families in urban renewal areas. The committee expects the Department to continue to give emphasis to predominantly residential projects which result in housing units for low and moderate income families. However, the committee feels that in the application of this policy, the Department should have enough flexibility to insure that this policy will not work to the disadvantage of communities in which nonresidential projects are essential to maintain adequate economic viability and to achieve a proper program balance.

## Title VI—Urban Planning and Facilities

### COMPREHENSIVE PLANNING

Section 601 of the bill would rewrite section 701 of the Housing Act of 1954, which authorizes assistance to States, localities, and other areas for comprehensive development planning. In addition to various technical and perfecting amendments, the changes include:

#### *Special Planning Assistance for District Planning Outside Metropolitan Areas*

A new category of assistance would be authorized for "district" planning in rural and other areas outside of metropolitan areas. The 701 program up to the present time has been oriented toward the planning and development problems of urban areas. Although much of the assisted planning has covered small town and semirural areas, and, for example, problems related to agricultural land uses have been considered where appropriate, grant assistance has not been available to assist planning for the coordinated development of resources and services in areas consisting of small towns and agricultural and other nonurban uses.

The new district planning would help preserve and better utilize the great human and economic investment in these areas. All too often, these areas have stagnated when a little foresight and planning

would permit establishment of viable and expanding communities. To reflect this change, the section 701 statement of purpose would be broadened to include reference to the planning problems resulting from outmigration from, and lack of coordinated development of, resources and services in rural areas. In addition, the present regional planning authority in section 701 would be revised to authorize separate planning programs for "regions," defined as including at least one metropolitan area, plus all or part of at least one other general-purpose unit of government; and for "districts," defined as including all or part of at least one county and of at least one other general-purpose unit of government, but not including any part of a metropolitan area.

Except for establishment of this specific statutory definition, there would be no change in the regional planning provisions of section 701. Up to two-thirds grants (or three-fourths grants in specified areas having special economic handicaps) would continue to be authorized both directly to regional planning bodies and to State planning bodies for assistance to regional planning.

With respect to planning for the newly defined districts, up to two-thirds (or three-fourths for areas with economic handicaps) grants would be authorized to be made, through State planning agencies, for assistance to district planning agencies. The district agency would have to be authorized, by or under State or local statutes or interstate compact, to carry on comprehensive planning for the district.

The assisted planning could be for the entire district or for towns or other appropriate areas within the district. Such planning could be carried out by the district planning agency itself or by the State planning agency acting for the district agency. Grants to States would be specifically authorized for the purpose of providing technical and other assistance for both interstate and intrastate planning agencies (including district and regional agencies).

The Secretary of Agriculture would have special statutory responsibilities with reference to the new district planning program. He would be authorized to provide technical assistance, with or without reimbursement, in connection with the establishment of the districts and the carrying out of such planning. The Secretary of Housing and Urban Development would, in turn, be required to consult with the Secretary of Agriculture before approval of any district planning grants made either through the State planning agency or directly to a district council of governments (authorized by an amendment to subsection (g)).

Conforming amendments would remove references to comprehensive planning as being for urban areas and needs.

*Demonstration Projects for Planning Metropolitan or Regional Systems of Public Facilities and Services*

Section 701(b) would be amended to make available, from section 701 appropriations, an additional \$10 million for studies, research, and demonstration projects. This subsection now authorizes the Secretary to expend up to 5 percent of the section 701 appropriations for projects for the development and improvement of comprehensive plan-



ning techniques and methods and the advancement of the purposes of the section.

It is intended that this \$10 million be used for demonstration projects in planning entire systems of public facilities and services. While the portion of the metropolitan area or the region which must be served by the entire system planned may vary with the type of public facility or service involved (i.e., water, sewer, solid waste disposal, library, etc.), the particular system being planned should serve all or so substantial a portion of the metropolitan area or the region as is necessary to obtain the intended cost and quality benefits of broad systematic planning.

The use of such large-scale facilities and services (and the resulting increased availability of special equipment and techniques) makes possible very important savings both in their installation and operation. It has, therefore, been one of the objectives of comprehensive planning, as assisted under section 701, to encourage metropolitan and other areas to provide needed facilities and services in this fashion, either through an agency having areawide responsibilities or through effective areawide cooperative arrangements. Generally, however, the 701 program has not assisted in the detailed studies and investigations (including, for example, systems analysis, cost-benefit evaluations, and other preliminary planning and engineering studies) needed fully to define the feasibility, scope, character, cost, and advantages of such systems. The proposed demonstration projects would provide valuable experience and further development in these new planning techniques and methods.

The assistance would be provided to agencies now eligible to receive planning grants under section 701 and would be limited to the same two-thirds (or three-quarters) grant ratio usually available under the section 701 program.

### *Comprehensive Planning Definition*

The definition of comprehensive planning would be revised to make specific reference to planning for the provision of governmental services (as well as for public facilities) and for the development and utilization of human and natural resources. However, comprehensive district planning could not include planning directed at encouraging industries to relocate from another area into the district.

### *Housing Elements as Part of Comprehensive Planning*

A new provision of the section 701 law would require all comprehensive planning to include specific planning for housing needs and required facilities, land use, zoning, and other relevant devices necessary to meet future population expansion stemming from existing and future migration growth.

This provision would require the section 701 comprehensive planning to include a housing element as part of the preparation of comprehensive land use plans. It does not, and the section 701 program cannot, control or direct the actions of local planning organizations, but this provision may perhaps influence localities in the direction of considering and helping to meet broad regional housing needs as part of local planning and land use.

### *Economic Development District Planning*

The present authority for three-quarters grants for planning in redevelopment areas would be brought up to date by providing such three-quarters grants also for planning in economic development districts designated under the Public Works and Economic Development Act of 1965. Because of the Department of Commerce's interest in assisted planning activities in economic development districts, the committee has inserted a requirement that the Secretary of HUD consult with the Secretary of Commerce before approving any planning grant which includes any part of an economic development district.

### *Indian Reservation Planning*

The present authority for Indian reservation planning would be revised to permit such grants to be made directly to tribal planning councils or other tribal bodies in all cases. Such grants may now be made directly to a tribal body only where no State agency is "empowered" to provide such planning.

### *Definition of Metropolitan, Regional, and District Planning Agencies*

The definition of these planning agencies would require that, to the greatest extent practicable, they be composed of or responsible to the elected officials of the unit or units of general local government for whose jurisdictions they are empowered to plan. A unit of general local government could include one established on an areawide basis. This requirement would not apply when State law provided otherwise.

### *Use of Private Consultants*

The committee has added to the preamble of section 701 a statement respecting the use of private consultants by State and local governments. This has been done to make it clear that the committee expects HUD to permit the judicious use of private planning consultants by State and local governments, where these governments deem it appropriate, in carrying out planning activities assisted under section 701. This action, however, is not meant to deny HUD the right to require a planning agency to have a reasonable percentage of the assisted work carried out by a professional staff in order to assure the continued effectiveness of the planning.

### *Councils of Government*

Regional and district councils of government, as well as those organized on a metropolitan basis, would be eligible for grants under section 701(g). These organizations, which are made up principally of the councilmen and similarly elected local officials of the municipalities and counties within these areas, can utilize these grants for undertaking studies, collecting data, developing areawide plans and programs, and engaging in other activities relating to the development of the area.



*New Communities*

Planning grants would be authorized to official governmental planning agencies for areas where rapid urbanization is expected to result on land developed, or to be developed, as a new community approved under the provisions of title IV of this bill. This is the same authority presently available with respect to new communities assisted under title X of the National Housing Act.

*New Authorizations*

Subsection (b) would be amended to provide for increased authorizations for carrying out this program. The present authorization of \$230 million is to be increased to \$265 million through fiscal year 1969, including \$20 million which may be used only for district planning grants. For fiscal year 1970 this authorization would be increased by an additional \$125 million. \$10 million of the amount available in fiscal year 1970 may be used only for district planning.

With this program, Congress has recognized the value of comprehensive planning as a basic prerequisite for the provision of a suitable living environment for every American family, that this planning is a responsibility of State and local governments, and that these governments require financial assistance to establish and support adequate planning organizations. Many of the resulting benefits—in terms of the savings and efficiencies from planned development—accrue to the Federal Government which annually invests millions of dollars, through its assistance programs, in urban facilities and activities.

The growth and interest in the urban planning assistance program reflects the expansion and intensity of usage of comprehensive planning at the State, metropolitan, and small-city level. From its inception in 1954, the 701 program has had a major role in establishing comprehensive planning as an accepted process for guiding and coordinating urban development. The number of different small communities receiving grants under the program has risen from 242 at the end of 1956 to 6,200 as of June 30, 1967. Metropolitan areas and urban regions receiving grants over the same period of time have increased from 23 to 247. Assistance for statewide planning was authorized by an amendment in 1959; by June 30, 1967, some 44 States had received grants for this purpose. Since authority was provided in 1965, grants to 27 councils of government have been made.

*Regional Commissions*

Planning grants would be authorized to the various regional commissions established under the Public Works and Economic Development Act of 1965 for comprehensive planning for the regions established under that act, or to State agencies or instrumentalities participating in such planning. This is identical to the present authorization in the law for such grants to the Appalachian Regional Commission.

## PLANNED AREAWIDE DEVELOPMENT

Section 602 of the bill would change the heading of title II of the Demonstration Cities and Metropolitan Development Act of 1966 from "Planned Metropolitan Development" to "Planned Areawide Development". In keeping with this change, it would permit the supplementary incentive grants, now authorized for certain federally assisted projects in metropolitan areas, to be made for such projects when carried out in any areas of the type for which metropolitan, regional, or district planning grants could be made under section 701 of the Housing Act of 1954 (as proposed to be amended by sec. 601 of this bill). To accommodate this program to the circumstances of the new rural planning districts (which could be established under sec. 601 of this bill) a requirement now in the law relating to such land use controls as zoning and subdivision regulations would be modified by stating that it would be applied where appropriate. In addition, this section would provide that any of the \$75 million authorized for supplemental grants but not appropriated for fiscal years 1967 and 1968 may be appropriated through fiscal year 1970.

Under the provisions of section 205 of the 1966 act, supplementary grants of up to 20 percent of the project cost, but not in excess of 80 percent when added to the regular Federal grant, may be made by the Secretary of HUD where it has been demonstrated to his satisfaction that: (1) Areawide comprehensive planning and programing provide an adequate basis for the location and scheduling of public facilities and land development and uses of areawide or interjurisdictional public significance; (2) adequate areawide arrangements exist to carry out such planned and coordinated development; and (3) public facility projects (whether federally aided or not) and land development or uses having a major impact on the development of the area are, in fact, being carried out in accord with comprehensive planning. Also, the applicant for the grant must demonstrate that it (or the unit of general local government where it is different body) is adequately assuring that public facility and other local projects are being and will continue to be carried out in accord with areawide planning and programing.

The projects for which supplementary grants may be made are—

(1) Grants for basic water and sewer facilities; administered by the Department of Housing and Urban Development under the Housing and Urban Development Act of 1965;

(2) Grants for the construction of libraries, administered by the Department of Health, Education, and Welfare under title II of the Library Services and Construction Act;

(3) Grants for the construction and modernization of hospitals and other medical facilities, administered by the Department of Health, Education, and Welfare under the Public Health Services Act (Hill-Burton Act);

(4) Grants for construction of sewage-treatment works, administered by the Department of Interior under the Federal Water Pollution Control Act;

(5) Grants for highway construction (Federal-aid primary and secondary systems and urban extensions, but not the Inter-



state System) administered by the Department of Transportation;

(6) Grants for airport development, administered by the Department of Transportation under the Federal Airport Act;

(7) Grants for urban mass transportation facilities and equipment, administered by the Department of Housing and Urban Development under the Urban Mass Transportation Act of 1964;

(8) Grants for acquisition and development of open space, for beautification and improvement, or for historic preservation, administered by the Department of Housing and Urban Development under the Housing Act of 1961;

(9) Grants for the acquisition and development of lands and waters for recreation purposes, administered by the Department of the Interior under the Land and Water Conservation Fund Act of 1965; and

(10) Grants for public works and facilities in redevelopment areas, administered by the Department of Commerce under the Public Works and Economic Development Act of 1965 (but only if they involve works or facilities of a type which the Secretary of Housing and Urban Development determines to be eligible under items (1) through (9)).

Communities are faced with overwhelming problems of growth. This continuing growth has strained to its limits the fiscal capacity of these communities, many of them rural in character only a few years ago. Growth has meant abrupt increases in taxes to pay for new transportation facilities, parks, hospitals, sewers, waterlines, and other public facilities. It is estimated that State and local governments will need to spend on the order of \$280 billion for public facility capital outlays over the next 8 years. Additional billions of dollars will be invested by private entrepreneurs for new housing, shopping centers, industrial buildings, and related urban development.

The areawide development grants will provide additional financial aid to the States and their communities. However, the real significance of this proposed continuation and expansion of the supplementary grant program is not so much the actual volume of financing provided, as the leverage it exercises to foster and reward the kind of well-planned and coordinated growth that maximizes and protects these capital outlays—by Federal, State, and local governments, as well as private enterprise.

#### ADVANCE ACQUISITION OF LAND

Section 603 of the bill would amend section 701 and rewrite section 704 of the Housing and Urban Development Act of 1965 to provide basic authority for a more efficient and effective program of Federal assistance to localities for the advance acquisition of land expected to be needed for public purposes. The changes made by this section would include the following:

(1) It would change the definition of eligible land from "land planned to be utilized in connection with the future construction of public works or facilities" to "land planned to be utilized in the future for public purposes".

(2) Require that the proposed use of the land be undertaken within 5 years except the Secretary could go beyond the 5-year

period if, due to unusual circumstances, he deems a longer period necessary and if he advised the Banking and Currency Committees of the Congress of this action.

(3) It would give the Secretary, as an alternative to his authority to require repayment of the Federal assistance if timely utilization is not made of the land or if it is diverted to other uses, authority to require substitution of equivalent land.

(4) It would provide for equivalent grant assistance, where land acquisitions are carried out without resort to borrowing. The amount of the grant would be based on the amount of reasonable interest charges the Secretary determines would have been required if the funds had been borrowed.

(5) It would permit the cost of land acquired under this provision to be considered as an eligible project cost for the purpose of any other Federal loan or grant program which provides assistance for land acquisition, and provide that assistance under this section will not render a project ineligible for other Federal assistance programs.

(6) It would clarify the permitted use of acquired land pending its intended utilization.

(7) It would clarify the authority of States to participate in the program.

The advantages of acquisition of land in advance of anticipated future needs have been recognized and, to some extent, realized by local governments in recent years. Such programs are particularly useful in efforts to control the urban sprawl which complicates the acquisition of lands needed for public purposes. They have also enabled local governments to secure lower prices for needed land through purchases made before extensive private improvement of the site. This approach recognizes that the value of desirable land needed for public purposes is likely to be greatly enhanced in the foreseeable future.

The committee considered an amendment which would have eliminated the present requirement in law that land acquired with assistance under this program be utilized for the purpose for which it was acquired within 5 years in favor of a requirement that such land would be put to its intended use within a reasonable period of time as determined by the Secretary of HUD. The committee does not believe that it is appropriate at this time to remove the 5-year limitation. However, it recognizes that there may be unusual circumstances that justify holding land beyond a 5-year period. These circumstances would most often arise in those types of cases where, because of a situation beyond its control, a community was unable to start construction of a building within the 5-year period, as it had planned. Occasionally, a community might have a very strong justification for planning to hold off utilizing the land until sometime after the general 5-year period and to refuse assistance to it would tend to jeopardize its ability to carry out a well thought out development program.

In the case of such unusual circumstances, the Secretary would be authorized to permit a holding period longer than 5 years if he determines it is in the public interest, but he would be required to make a prompt report to the Banking and Currency Committees of the Senate and the House of Representatives with respect to each determination.



This authority to make exemptions will be most useful, we understand, to those communities who have hesitated to use this program because of the concern that some unforeseen circumstance might arise which would prevent them from carrying out a planned development of the land within the 5-year period and thereby put them in jeopardy of being required to repay the grant. It should be noted, however, in all cases, 5 years would continue to be the maximum period for which interest assistance would be granted.

Limitations imposed on some Federal programs render projects having received other Federal assistance ineligible for additional assistance, or render the cost of land acquired with other Federal assistance ineligible as a project cost for such programs. These limitations are inconsistent with the purposes of this section and constitute unnecessary barriers to the realization of the benefits incident to the timely acquisition of land in advance of need. Consequently, the revised section 704 would provide that interest grants under this program would render neither the project, nor the cost of land, ineligible for assistance under other Federal programs.

The committee proposal recognizes that a comprehensive program of assistance for advance acquisition of land must take into account the financial capabilities and limitations of the participating localities. Many find it more appropriate at given times to use nonborrowed funds in carrying out advance acquisition programs. Accordingly, the revision provides for equivalent grant assistance for acquisition carried out without resort to borrowings. The grant would be based on the amount of reasonable interest charges the Secretary determines would have been required if the funds had been borrowed.

#### EXTENSION OF INTERIM PLANNING REQUIREMENTS IN WATER AND SEWER FACILITIES PROGRAM

Section 604 of the bill would amend section 702(c) of the Housing and Urban Development Act of 1965 by changing the date, before which a program for an areawide water and sewer system must be under preparation rather than completed from July 1, 1968, to October 1, 1969.

Section 702 of the Housing and Urban Development Act of 1965 requires the Secretary, before approving an application for a basic water or sewer facility grant, to find that the proposed project is consistent with a program for a unified or officially coordinated areawide water or sewer facilities system as part of the comprehensively planned development of the area. A special provision in section 702(c), however, permits approval of an urgently needed project during an interim period, prior to July 1, 1968, where the program for a coordinated areawide system is not completed but is under active preparation. To come under this special provision, the Secretary must find that the proposed project can reasonably be expected to be required as part of the program being developed.

Development of a comprehensive plan is a difficult and time-consuming process, especially in complicated multijurisdictional metropolitan areas. The shortage of planning personnel and—in some cases—necessity for State legislative action can all serve to delay the development of the requisite plans. Many engineering, land use, and

other decisions must be made, and there sometimes needs to be co-ordinated effort among several jurisdictions of local government. The 30-month time period which has been available to develop plans under existing law has proven to be too short.

The committee has been informed that failure to extend the deadline date of July 1, 1968, will require disapproval of projects for water and sewer facility grants in a large number of communities that will be unable to meet the full planning requirements by this cutoff date. At minimum, it is estimated that up to 50-60 percent of all urban areas will be disqualified for grants after that date. Because of the urgent need for water and sewer facilities in many of these areas, the committee believes that they should be given another 15 months to comply with the full requirements.

The additional 15 months for the interim requirements will provide the much needed time for communities to reach the level of planning needed to meet the intent of the full requirements.

#### INCREASED AUTHORIZATIONS FOR THE WATER AND SEWER FACILITIES, NEIGHBORHOOD FACILITIES, AND ADVANCE ACQUISITION OF LAND PROGRAMS

Section 605 of the bill would provide that any funds authorized but not appropriated for grants for the basic water and sewer facilities, neighborhood facilities, and the advance acquisition of land programs will remain available for appropriation through fiscal 1970. The present authorization for these programs expires with fiscal year 1969.

In addition there would be authorized to be appropriated for fiscal year 1970 not to exceed \$115 million for grants under the section 702 basic water and sewer facilities program.

Continued urbanization and industrialization have created an unprecedented demand for basic water and sewer facilities and Federal assistance to meet this demand. The demand for neighborhood facilities to help communities provide proper centers for the provision of needed health, recreational, social, and similar community services in low and moderate income neighborhoods has also increased. The demand for grants under the advance acquisition program is expected to increase sharply with the modifications proposed in section 603 of the bill.

To help meet these needs, the unused authorization for appropriations that would otherwise expire on June 30, 1969, would remain available through June 30, 1970. This would provide \$400 million, when the \$115 million in additional authorization is added in, for the water and sewer program, \$101 million for the neighborhood facilities program, and \$95 million for the advance land acquisition program that could be appropriated for fiscal year 1970, if the budget requests for fiscal year 1969 are fully funded.

#### OPEN-SPACE LAND PROGRAM

Section 606 of the bill would convert the funding provision for grants under the open-space land program from authority to enter into contracts to a regular authorization for appropriations. It would



increase the authorization for such grants by \$150 million on July 1, 1969. The amount of grant funds that may be used during any fiscal year for studies and the publishing of information would be increased from \$50,000 to \$125,000, and the present sublimitations for grants for open-space land in built-up areas and for urban beautification and improvement would be eliminated.

Extension of this program is essential if the Federal Government is to continue to provide a decisive impetus to State and local open-space programs. The importance of the Federal open-space land program extends far beyond the amounts approved for assistance in acquiring and developing 237,000 acres of land through fiscal year 1967. It has encouraged State and local governments to plan and execute local programs that might not otherwise have been undertaken. As an indication of this, 17 States have approved bond issues for open-space purposes totaling more than \$1.25 billion since 1960. Local governments have also approved bond issues or otherwise spent millions of dollars in recent years for open-space projects.

Continuation of the program will allow a further benefit to taxpayers by facilitating the purchase of open-space land substantially in advance of intense pressures for urbanization. Early acquisition is an important factor in reducing program costs, particularly as the Department of HUD is encouraging the purchase of open-space land closer to urban development.

At the beginning of fiscal year 1968, applications for \$169 million were on hand. Requests for an additional \$123.5 million are anticipated during the current year. As more local communities establish open-space programs, requests for assistance will accelerate. Continuation of the program is therefore essential.

An increase in the amount of grant funds that can be used for studies and publications from \$50,000 to \$125,000 will provide invaluable assistance in developing criteria and providing information on new techniques and concepts to assure the most efficient and economical ways to conserve open-space land. To give more flexibility in funding the several components of the open-space land program, the language of the proposed authorization eliminates the present sublimitations, except studies.

#### AUTHORIZE THE MAKING OF FEASIBILITY STUDIES IN THE PUBLIC WORKS PLANNING ADVANCES PROGRAM

Section 607 of the bill would clarify the authority of the Secretary of HUD under section 702 of the Housing Act of 1954 to make advances for the conduct of feasibility studies regarding specific public works, the planning of which may be assisted under section 702.

Feasibility studies are engineering evaluations to determine whether a proposed public works project can be developed within existing technical and economic limitations. It may include such facets as site examination, field surveys, preliminary sketches and plans, soil tests, and cost and economic analyses. Such studies are often more vital than specific plans and specifications, because they help a community consider a projected public facilities project in terms of specifics regarding costs and problems to be encountered. In effect, they help a

community to make decisions regarding major and expensive undertakings before commitments are irrevocably made.

The public works planning advance program is used primarily by small communities; more than 48 percent of past advances have been to communities with populations under 5,500, and more than 86 percent to communities with populations under 50,000. Such communities often have little revenue flexibility and no funds for financing the type of planning required by feasibility studies. Without such a study it is very difficult for a small community to understand the exact nature of a proposed project and to gain the popular support needed to raise the necessary funds. Also, projects undertaken without such preliminary investigations may result in irrevocable errors, which cannot be corrected in final designs.

Although section 702 attests to the importance placed on advance planning for public works, it does not explicitly state that advances for feasibility studies are authorized. The proposed amendment would eliminate any possible ambiguity in the present statute and expressly allow advances for such studies.

## **Title VII—Urban Mass Transportation**

### **GRANT AUTHORIZATIONS**

Section 701 of the bill would increase the authority for appropriations by \$190 million for fiscal year 1970 for the urban mass transportation program. The amount of funds which may be used for research, development and demonstrations under section 6 of the Urban Mass Transportation Act of 1964 would be increased by \$6 million on July 1, 1968.

The present fund authorization expires June 30, 1969. It is anticipated that practically the entire authorization will have been appropriated by that time. The need for continued support for mass transportation systems is clear. A recent survey of urban mass transportation capital program plans in 11 major metropolitan areas with about 43 percent of the population of all SMSA's revealed an aggregate 10-year projection of approximately \$10.9 billion in capital financing needs. In nearly every metropolitan area surveyed, transit planning officials pointed to the need for increased Federal aid.

The first capital grants under the program were made in February 1965. Since that time, the rate of new applications has risen from approximately \$100 million in 1966 and \$200 million in 1967 to nearly \$300 million. New large-scale transit development and improvement programs are being announced more frequently than in the past, and requests for Federal assistance may reach \$600 million in fiscal year 1970. Funding through fiscal year 1970 is therefore essential.

Section 6 of the Act provides for a program of research, development, and demonstration projects in all phases of urban mass transportation which will assist in the reduction of urban transportation needs, the improvement of mass transportation service, or the contribution of such service toward meeting total urban transportation needs at minimum cost. A \$25 million program for research, development, test and evaluation of new systems of urban transportation is



proposed, based on the preliminary findings of the new system study program authorized by the Congress in 1966, and will lay the groundwork for implementation of the program to be recommended in the report on that study.

To allow for the \$25 million research, development, and demonstration program level in 1969, the present sublimitation of \$50 million for the section 6 programs would be increased to \$56 million on July 1, 1968. This increase would provide \$23.5 million in unused authorization under section 6. The balance of this program will be funded under the \$3 million authorized annually by section 11 of the act for grants to public and private nonprofit institutions of higher learning for theoretical and practical research, and for training persons for research and employment, in urban transportation.

On or after July 1, 1969, the Secretary would be authorized to use for research, development, and demonstration activities such sums as he deems appropriate out of the grant funds available under the general grant authorization contained in section 4(b) of the 1964 act.

#### DEFINITION OF MASS TRANSPORTATION

Section 702 of the bill would broaden the statutory definition of "mass transportation" in section 12(c) (5) of the Urban Mass Transportation Act of 1964. The purpose of the broadened definition would be to allow greater flexibility in developing and applying new concepts and systems in urban mass transportation programs. The existing definition of "mass transportation" applies to all of the programs in the Urban Mass Transportation Act of 1964 and requires that such transportation serve the "general public" and operate "over prescribed routes." In the light of recent and pending advances in the field of mass transportation research and technology this definition has become unduly restrictive. It would be replaced by a requirement that the transportation provide to the public general or special service (excluding schoolbuses or sightseeing or charter service) on a regular and continuing basis.

The committee does not believe that as a result of this change in definition there should develop a diversion of emphasis away from normal capital grants in projects operating over prescribed routes, and the committee prefers that wherever possible established carriers should be used.

Section 6(b) of the 1964 act directs the Secretary to "undertake a project to study and prepare a program of research, development, and demonstration of new systems of urban transportation". Under this project a number of new concepts and innovations which have a high potential for eventual improvement of urban mass transportation are being developed, but the present restrictive definition does not allow the Secretary to assist State and local governments in utilizing them. For example, the "prescribed route" clause would restrict the Secretary from giving assistance to projects such as a computer-aided "small bus" system, which ultimately could pickup passengers at their door and deliver them at their desired destinations while picking up and dropping off other passengers going in the same general direction. The computerized routing in this type of operation would not be "prescribed" but would depend upon where passengers wanted

to be picked up and dropped off. Many of the dual mode systems would also be excluded. These are systems capable of operating over two different types of rights-of-way, one an exclusive right-of-way such as a railroad track or other fixed guideway automatically controlled and the other the local street network controlled by individual driver-passengers. Particularly in the case of the small dual mode systems, the street portions of the travel would not be over "prescribed" routes.

There are also a number of instances where it may be beneficial and in the public interest to provide capital grant assistance to mass transportation service which would serve only a specific portion of the public rather than the "general" public. For example, special service from ghettos to specific places of employment, limited to those riders who work there and coordinated to shift changes, or special service from elderly housing developments to hospitals and clinics. These services might require additional buses which the transit system involved could not afford to provide without Federal aid. Under the present law Federal assistance for such programs is not available.

#### EXTENSION OF THE EMERGENCY PROVISION OF THE URBAN MASS TRANSPORTATION PROGRAM

Section 703 of the bill would extend the emergency provisions of the mass transportation program until July 1, 1970.

The present provisions of section 5 of the Urban Mass Transportation Act of 1964 expire on November 1, 1968. It is proposed to extend the expiration date until July 1, 1970.

Section 5 authorizes 50 percent Federal grants for mass transportation facilities and equipment in urban areas not yet able to meet full areawide comprehensive planning and programing requirements. These emergency grants are in place of two-thirds Federal grants available when all comprehensive planning requirements are met.

Unless this interim program is continued, many areas will be cut off from receiving mass transportation assistance. Some of these are large metropolitan areas (such as Denver, Detroit and New York City), where areawide planning is particularly complex and time consuming. Others are smaller in size but have only recently commenced the required planning. These areas, which cannot yet fulfill the complete areawide comprehensive planning and programing requirements of the urban mass transit program, should not be denied the assistance available under the emergency program.

It is important to note that this program, though it waives the stricter planning requirements, retains provisions to assure that planning is underway and that there is a basis for judging whether a proposed transportation project will be consistent with subsequent completed plans. The lesser planning requirements minimize any possible risk of aiding projects that will not conform to locally decided urban development and transportation objectives.

#### NONFEDERAL SHARE OF NET PROJECT COST

Section 704 of the bill amends both section 4(a) (long-range program, two-thirds grant) and section 5 (emergency program, 50-percent grant) of the Urban Mass Transportation Act of 1964 to permit



any public or private transit company to provide up to 50 percent of the local share of the net project cost of a mass transportation project. This payment could be made out of undistributed cash surpluses, replacement, or depreciation funds or reserves available in cash, or new capital.

The purpose of this amendment is to clarify and implement the declaration contained in section 4(a) of the Urban Mass Transportation Act of 1964, as amended, that programs authorized by the act shall encourage to the maximum extent feasible the participation of private enterprise. It specifies that 50 per centum of the non-Federal share of the net project may be provided from other than public sources. Transit system funds, however, which are used for this purpose may be provided only from undistributed cash surpluses, replacement or depreciation funds or reserves available in cash, or new capital. They may not be provided from revenues, including the proceeds of indebtedness payable out of future revenues, that are otherwise needed or would otherwise be used to meet operating costs of the system. This restriction applies to public, as well as private, transit system funds.

An exception to the 50-percent limitation to finance the non-Federal share of net project cost is provided for in situations where the State or local public body or agency applying for assistance is fiscally unable to put up any portion of the local share. In such cases of fiscal inability, up to the full amount of the non-Federal share may be provided by local public or private transit systems. However, fiscal inability of the applicant must be clearly demonstrated with data satisfactory to the Secretary which affirmatively and clearly demonstrates that the applicant is in fact financially unable to provide the local share and such information will be available to the public prior to the Secretary making the determination. Obviously a mere certification by the applicant will not of itself be sufficient. Also, the applicant State or local public body or agency must be actively engaged in the preparation and effectuation of a unified or officially coordinated urban transportation system as part of the comprehensively planned development of the urban area.

Net project cost is defined in the basic law as that portion of the cost of a project to be assisted which cannot be reasonably financed from revenues, not more than two-thirds (or 50 percent in the case of emergency grants) of which may be paid by a Federal grant.

The committee expects the Secretary to avoid unreasonable profits to private companies through this proposed change in the law. Where private companies are involved, the Secretary, in both the establishment of net project cost and in determining the amount of the Federal grant, should have available to him a full disclosure of assets, liabilities and projected revenues of the system operations so that private capital may be attracted to this program without adding an extra burden to the Federal Treasury.

### **Title VIII—Secondary Mortgage Market**

This title would make changes in the statutory provisions affecting the Federal National Mortgage Association and its functions in the secondary mortgage market. The principal change would be the fulfillment of congressional intent expressed 14 years ago in section

303(g) of the Federal National Mortgage Association Charter Act, "to transfer to the owners of the outstanding common stock of the association the assets and liabilities of the association in connection with, and the control and management of, the secondary market operations of the association under section 304 of this title in order that such operations may thereafter be carried out by a privately owned and privately financed corporation."

The Committee feels that FNMA's secondary market operation has proven economically sound and capable of being financed solely from private sources. The current Federal capital contribution to FNMA, represented by outstanding preferred stock held by Treasury, totals about \$142 million, and would be retired as soon as possible after the effective date of the title. The common stock, of which about \$127 million is presently outstanding, would be changed from nonvoting to voting and from \$100 par value to no par value and would be freely transferable. After a transitional period of 2 to 5 years, the common stockholders would control the board of directors.

The privately owned corporation would be given new financing mechanisms which could be used, in connection with existing methods, for the retirement of the Treasury-held preferred stock and the financing of its operations. The committee expects that the privately owned corporation, with its improved financing methods, will add a significant impetus to the flow of funds in the secondary market and the availability of credit in the home mortgage market.

The present Federal National Mortgage Association would be partitioned, on an effective date to be established by the Secretary of the Department of Housing and Urban Development but not later than 120 days after enactment, into two separate corporations. The special assistance and management and liquidating functions would remain in the Department of Housing and Urban Development and be operated through a corporation to be known as Government National Mortgage Association (GNMA) and would remain substantially unchanged. The other corporation, which will become entirely privately owned and which will operate the secondary market operations, would be known as Federal National Mortgage Association (FNMA). The new FNMA would be a "Government-sponsored private corporation," regulated by the Secretary of the Department of Housing and Urban Development, and would have a status analogous to that of the Federal land banks and the Federal home loan banks.

The new FNMA's secondary market dealings would continue to be limited to mortgages insured or guaranteed by FHA or the Veterans' Administration, or by the Farmers Home Administration under title V of the Housing Act of 1949, but present restrictions against buying mortgages in excess of par and against buying mortgages offered by, or covering property held by, State and local instrumentalities would be removed. In addition, the purchase authority of FNMA would be expanded to include certain mortgage-backed securities guaranteed by GNMA (as authorized by this title) so that, if necessary, FNMA could act to supplement the secondary market for such securities. The committee feels that if such securities become well enough established so that many private issuers are issuing them, they could constitute a significant factor in attracting investment funds to the field of mortgage investment.



## FINANCING OF SECONDARY MARKET OPERATIONS

## A. BORROWING

Existing forms of obligations would be retained (debentures and short-term discount notes), but the Secretary would be given power to increase and thereby make flexible the debt-to-capital ratio for FNMA, now fixed by statute at 15 to 1. This flexibility would be particularly helpful in times when FNMA's net purchasing rate greatly exceeds the rate by which its capital is increasing, and where in the judgment of the Secretary FNMA's financial strength was adequate to justify increasing the ratio.

Two other forms of borrowing authority would be provided. First, FNMA could also issue and market subordinated obligations, in a manner similar to the current issuances of "capital notes" by banking institutions. These obligations would probably be issued on a long-term basis, perhaps 15 to 25 years, and could include provisions for their convertibility into common stock. These obligations would be subordinated to all the obligations of the corporation outstanding and to be outstanding. For this reason, the amount raised by these issues would be considered to represent capital for the purposes of the debt-to-capital ratio. FNMA would be authorized to issue such subordinated obligations up to twice the sum of its capital, surplus, and retained earnings. These obligations could be issued to assist in financing the retirement of the preferred stock or the operations of FNMA.

Secondly, FNMA would be authorized to issue and market securities backed by earmarked pools of portfolio mortgages, and this authority would not be subject to any ratio limitation. Of course, such securities and obligations could not be issued in greater principal amount than the aggregate principal amount of the mortgages pooled, all of which would be Government guaranteed or insured. GNMA would be authorized to guarantee the payment of principal and interest on any such securities issued by FNMA. GNMA could also guarantee similar securities issued by other private issuers approved by it for this purpose, so long as the securities are backed by mortgages or loans guaranteed or insured by FHA or the Veterans' Administration, or by the Farmers Home Administration under title V of the Housing Act of 1949, and set aside or subjected to a trust in a manner similar to that established by FNMA. GNMA would be authorized to collect at the time of the guarantee a reasonable guarantee fee and other charges. In the event of the necessity of any payment under the guarantee, GNMA would become subrogated to the rights satisfied by the payment.

Similar authority for FNMA was provided in S. 2700 approved by the Committee last year and the proposal has continued to receive strong endorsement in hearings this year. The committee believes that these securities could have greater liquidity than the mortgages backing them and can be expected to attract sources of investment funds which do not ordinarily invest in the mortgage market, such as pension funds and retirement funds.

The present authority for FNMA to borrow from the Treasury would be retained, even after all of the preferred stock has been retired.

Use of this "backstop" authority by FNMA after retirement of the preferred stock is not anticipated, however, except in case of emergency. This authority has been used in the past solely as a "line of credit," but this routine use would not be continued after retirement of the preferred stock. The existence of this backstop authority, which is similar to that of the Federal home loan banks, would tend to enhance the corporation's credit standing and would constitute Government recognition of the significance of the corporation's operations to the national interest aspects of the mortgage financing industry.

#### B. COMMON STOCK

FNMA would be authorized to issue common stock in addition to that now required to be issued in connection with its purchasing and lending activities. For the purpose of encouraging the users of FNMA's services to develop and maintain their interest in and control of the corporation, each servicer of mortgages for FNMA would be required to own at all times a minimum amount of FNMA common stock. This minimum amount would be not more than 2 percent of the outstanding principal balances of all mortgages owned by FNMA and serviced by the servicer, but this requirement would not apply with respect to mortgages purchased by FNMA before the effective date of this bill. The present 5-percent dividend limitation applicable to the common stock would be repealed, and cash dividends could not exceed a rate determined by the Secretary of HUD to be a fair rate of return.

### CONTROL OF FNMA

#### A. TRANSITIONAL PERIOD

The bill would provide for a 2- to 5-year transitional period during which direct control over the activities of FNMA would be transferred from the Secretary of HUD to the common stockholders. During this transitional period, the board would consist of nine members. The Secretary of HUD would appoint all nine members for the first year. For the second year, he would appoint seven members, and the stockholders would elect two. For the remainder of the period, he would appoint five members and the stockholders would elect four. The president of the corporation would be appointed during the transitional period by the President of the United States, subject to confirmation by the Senate, and the Secretary would be required to include him as one of his appointees to the board of directors.

The transitional period would end at such time as one-third of the common stock is owned by persons or institutions in the mortgage lending, home building, real estate, or related businesses, but not sooner than May 1, 1970, nor later than May 1, 1973.

#### B. POST-TRANSITIONAL PERIOD

After the transitional period, the board of directors of FNMA would consist of 15 members, one-third of whom would be appointed by the Secretary and the remainder of whom would be elected by the stockholders. The appointments and elections would be for 1-year



terms only. The Secretary would be required to appoint, as members of the board, one person each from the home building, real estate, and mortgage lending industries. All directors would be removable by the President of the United States, but only for good cause shown. The board would have full power and responsibility for the policies of the corporation, subject only to the provisions of laws passed by Congress and regulations of the Secretary.

The Secretary would have general regulatory powers over FNMA to assure that the purposes of the charter act are served. The issuance of all securities or obligations by FNMA would have to receive the prior approval of the Secretary. Through this and other authority, the Secretary would participate in the decision making process as to the level of mortgage purchases at various times. In addition, the Secretary could require that a reasonable portion of FNMA's mortgage purchases be related to housing for low and moderate income families, but with reasonable economic return. These mortgages could involve, for example, those insured under the proposed section 235 homeownership program and the proposed section 236 rental and cooperative housing program, or those insured under the proposed section 237 credit assistance program. These mortgages would bear interest at the market rate.

It is the intent of the committee that the regulatory powers of the Secretary will not extend to FNMA's internal affairs, such as personnel, salary, and other usual corporate matters, except where the exercise of such powers is necessary to protect the financial interests of the Federal Government or as otherwise necessary to assure that the purposes of the FNMA Charter Acts are carried out.

Audit of the corporation could be performed by the Secretary of HUD. In addition, before all of the preferred stock is retired, FNMA would be considered to be a wholly owned corporation for the purposes of the Government Corporation Control Act and would be subject to audit by the General Accounting Office. After retirement of the preferred stock, GAO examination of the financial transactions of FNMA would continue so long as there are outstanding any of FNMA's obligations which are guaranteed by GNMA. This provision is included so that the contingent liability of the Government in connection with the GNMA guaranty could be protected.

The committee feels that adequate safeguards have been provided to assure that the privately owned FNMA will continue the secondary mortgage market operations in a manner consistent with the best interests of the public. Control over the board of directors could not be transferred before May 1, 1973, until at least one-third of the common stock of the corporation was owned by persons or institutions whose self-interest (as members of industries concerned with housing and housing credit) is consistent with the national interest that there be an adequate flow of residential mortgage credit. This proportion is likely to be maintained and then increased since common stock must be purchased in connection with lending, purchasing, and servicing activities. Moreover, one-third of the board would be appointed by the Secretary and all would be removable for good cause by the President of the United States. Finally, the Secretary's regulatory power over FNMA would be sufficient to protect against abuses of the public interest.

## PARTICIPATION CERTIFICATES

The bill also provides that GNMA, which would continue the function of trustee under trusts created for sales of participation certificates, could issue such certificates for refinancing purposes. These certificates, issued to refinance certificates already approved in appropriation acts, would not be subject to the requirement of further approval in appropriation acts.

This amendment would permit the cost to the Government to be reduced through increased flexibility in management of the trusts. For instance, when original issues are sold with maturities shorter than the maturities of the pooled obligations, the early maturities could be refinanced by a sale of "rollover" certificates. Any appropriation for insufficiencies accompanying the original authorization would apply as well to any rollover sale as to the original sale.

## SPECIAL ASSISTANCE AUTHORIZATION

This title would also provide for an increase of \$500 million in special assistance authority to become available on July 1, 1969. GNMA would use this authority, under the direction of the President, to continue purchases of mortgages underwritten by the Government which require special assistance. The present revolving authority would be increased by \$525 million on July 1, 1968 under existing law.

Although there would be no new statutory requirement on the use of these funds by the President, the committee approved the additional funds primarily for the use by GNMA in the purchase of section 221(d)(3) below-market interest rate mortgages. One purpose of the new section 236 program is to develop a new rental program for lower income families as a replacement for the existing section 221(d)(3) BMIR program. However, the committee recognizes the necessity for a smooth transition from the older program to the new program without a lapse of authority which could do damage to the President's plan for stepped-up activity in the field of new construction for housing for lower income families. The committee is mindful of the practical difficulties of getting a new program rolling; that is, the long lead time it takes to prepare regulations, allocate the funds, educate the local sponsors and builders and finally produce specific projects to receive the benefits of the new subsidy program. The section 221(d)(3) BMIR has hurdled all of these obstacles and it is now a going program. The committee wants to assure that it will continue to be a going and effective program until the new section 236 program has reached the same degree of efficiency. The additional special assistance fund of \$500 million would be used to provide the backup support for the program necessary to carry out this objective. It is understood, of course, that the President could use these funds as needed, along with the present special assistance funds to support the new sections 235, 236, and 237 programs of housing for lower income families.

## Title IX—National Housing Partnerships

This title would authorize the creation of federally chartered privately funded corporations to mobilize private investment and the



application of business skills in the job of creating low and moderate income housing in substantial volume. Such a corporation in turn would form a partnership, as its vehicle for participating in developments, projects, or undertakings for the provision of housing primarily for families of low or moderate income, pursuant to Federal programs or otherwise.

#### NEED FOR NATIONAL PARTNERSHIPS

The President has proposed a program of 6 million low and moderate income housing units to be produced over the next decade, a tenfold increase over the previous decade. To achieve this urgently needed increase in the production of housing for low and moderate income families, it will be necessary not only to provide public subsidy, but to create additional new private institutions designed to give nationwide impetus to the production of such housing.

Although the housing industry is one of the very largest in the country, there is no single existing entity which accounts for more than one-third of 1 percent of the market, and there are few firms that carry on their activities on a national scale. The proposed National Housing Partnerships would provide a dynamic input for low and moderate income housing that is now lacking. National in scope, they would be devoted to the single purpose of producing low and moderate income housing and, therefore, would concentrate on succeeding in this one field. Such national organizations could recruit first-class management and technical staff who will make their careers in low and moderate income housing and would provide a needed source of equity capital. With nationwide market power in the low and moderate income housing field, to be supported by housing assistance payments on behalf of low-income occupants under other provisions of this bill, the Partnerships could realize some of the economies of scale that are inherent in volume construction and purchasing.

#### STRUCTURE OF A NATIONAL HOUSING PARTNERSHIP

This federally chartered privately funded corporation would be organized under the District of Columbia Business Corporation Act. Such a corporation in turn would form a partnership organized under this title and under the District of Columbia Uniform Limited Partnership Act. The federally chartered Corporation would serve as the general partner and managing agent of the National Partnership and each of the stockholders, as well as others, could be limited partners. The Corporation would provide the staff and expertise for the partnership in connection with the organization and planning of specific local project undertakings in which the National Partnership would have an interest. The Corporation would receive a fee for such services.

Of the funds of each large investor under the proposal, it is contemplated that not more than 5 percent would be invested in the Corporation's stock and the balance in the partnership. As limited partners they would have no liability for the debts of the partnership beyond their investment in the partnership.

The partnership arrangement makes it possible to assure an adequate return to investors. Under existing Internal Revenue Service regulations and rulings, partnership losses for tax purposes flow to the individual partners. In the case of new housing units financed on a 10-percent equity—90-percent debt basis, the annual accelerated depreciation of the building cost results in substantial book losses during the initial 10 years after the project is built. Assuming the member of the partnership is in relatively high income tax bracket, his share of the depreciation losses, plus cash income from project operations would provide an after-tax return on his investment which would compare favorably with the return which most industrial firms realize on their equity capital.

#### ROLE OF NATIONAL HOUSING PARTNERSHIPS

The National Housing Partnerships to be organized pursuant to this title would not enjoy a monopoly or special competitive advantages over existing organizations. The title provides for the creation of as many partnerships as may be necessary and specifically provides that others are free to establish enterprises similar in scope to the partnerships. The partnerships will be receiving no benefits from the Federal Government which are not presently available to limited profit corporations and associations. Partnerships would supplement and support local enterprise by forming partnership ventures with local builders and investors for the purpose of building low and moderate income housing projects in communities throughout the Nation. Such undertakings would normally be controlled and managed by local interests, with the partnership's interest being that of a limited partner which would not exceed 25 percent of the aggregate equity investment for the project, except where the balance is not readily obtainable from investors in the local community. When necessary, the partnership or the Corporation would serve as the general partner in such a local venture.

### **Title X—Rural Housing**

#### HOUSING FOR LOW AND MODERATE INCOME PERSONS AND FAMILIES

Section 1001 of the bill would amend title V of the Housing Act of 1949 by adding a new section 521 authorizing direct and insured loans in rural areas (places not exceeding 5,500 population) to low and moderate income persons and families and to provide rental or cooperative housing for such persons and families, where assistance is not available under sections 235 and 236 of the National Housing Act (added by secs. 101 and 201 of the bill). Interest will be at a rate which will be set by the Secretary of Agriculture after considering the cost of money to the Treasury and the payment ability of the applicants. The interest rate may not in any event be less than 1 percent per annum. An interest supplement necessary to market the insured loans will be paid from, and reimbursed by annual appropriations to, the rural housing insurance fund. Eligibility for these



loans will be broadened to include persons not previously residing in rural areas. This provision regarding nonrural residents will be administered so as to restrict it to persons of low or moderate income who are employed in rural areas.

#### HOUSING FOR RURAL TRAINEES

Section 1002 of the bill would authorize financial and technical assistance to provide, in rural areas, housing and related facilities for rural trainees (and their families) enrolled in federally assisted training courses to improve their employment capability. The Secretary of Agriculture could use this authority only after he determined that such housing and facilities could not be reasonably provided in any other way. The Secretary would be required to consult first with the Secretaries of Labor; Health, Education, and Welfare; Housing and Urban Development, and the Director of the Office of Economic Opportunity before providing this assistance. Training and housing sites would be selected only after consideration of a labor area survey and full coordination among all Federal, State, and local government agencies administering related programs. However, the committee feels that the Secretary should not approve any assistance under this section unless he is satisfied that the location has an economically viable future. In addition, the committee believes that, if feasible, trainees should be used to construct the housing but that prior to approving an advance under this section, the Secretary should make sure that the proposed housing will not unfairly compete with existing housing in the area nor with newly constructed housing built for the private market.

Related facilities would include, in addition to other service facilities, rooms and buildings for training purposes. Advances for land purchase would be repayable within periods not longer than 33 years and will bear interest. Other advances would be nonrepayable, or repayable with or without interest, depending on the applicant's payment ability, from project net income and any other available sources. Any interest charged on advances will be at a rate prescribed by the Secretary of Agriculture after considering the cost of money to the Treasury and the payment ability of the applicants. In no event would the rate be less than 1 percent per annum.

#### APPROPRIATIONS

Since necessary authority under sections 235 and 236 of the National Housing Act (added by secs. 101 and 201 of the bill) will be assigned to the Secretary of Agriculture as he and the Secretary of Housing and Urban Development agree, section 1003 of the bill would authorize appropriations to the Secretary of Agriculture for the cost of such administration.

#### PURCHASE OF LAND FOR BUILDING SITES

Section 1004 of the bill would broaden the eligible purposes of domestic farm labor housing loans to include the purchase of necessary land for building sites.

## Title XI—National Insurance Development Corporation

### BACKGROUND

The availability of essential property insurance in urban areas is a problem which has long been under study by the Senate. The Senate Select Committee on Small Business, under the chairmanship of Senator George A. Smathers of Florida, held extensive hearings on the insurance problems of small business in April 1967. As a result of these hearings, Senator Smathers introduced a bill, S. 1484, which was designed to assure the availability of crime protection insurance to small business.

In September 1967 the Small Business Subcommittee of the Senate Banking and Currency Committee, chaired by Senator Tom McIntyre of New Hampshire, held hearings on S. 1484. Shortly thereafter the subcommittee favorably recommended the bill, with amendments, to the full committee.

The insurance problems of urban property owners was also given extensive study by the President's National Advisory Panel on Insurance in Riot-Affected Areas. The Panel spent several months of intensive factfinding and study on the problems of the availability of essential property insurance to all types of property owners in our urban areas. The findings and recommendations of the Panel were published in its report in January 1968.

The facts developed during the various hearings point out the insurance crisis in our cities. The deterioration of many inner city areas is threatening the economic and social health of the cities as a whole. This deterioration has, in too many cases, caused the owners of well-maintained properties and businesses to be unable to obtain adequate property insurance against fire, crime, and other perils because of the general location of the property in a high-risk area or because of its proximity to dilapidated or hazardous structures.

In the run-down, blighted areas of some cities, private insurance companies have determined, in many instances, that it is not economically feasible to provide insurance protection. This determination has led to the practice of "red lining" entire neighborhoods, which results in an almost automatic denial of insurance for reasons of location alone, regardless of the condition of the property. Without insurance coverage against the perils of fire and crime, banks and other lenders cannot and will not extend credit for the purchase and improvement of real property or for the financing of business inventories. Thus, without insurance, property deteriorates and business, particularly small business, stagnates within the affected area. This in turn affects adjoining areas. The result of all of this is that the deterioration and stagnation within the area tends to accelerate and the area of blight tends to expand.

Recent civil disorders in many urban areas have aggravated even further the property insurance problem. Property insurance companies generally purchase reinsurance against abnormally high losses from various perils. The unusually large losses on riot and civil commotion coverage recently paid by the property insurance industry have raised the serious question of whether the same reinsurance arrange-



ments will continue to be available. Without this reinsurance, underwriters say that they cannot continue to provide riot and civil commotion protection in the various lines of property insurance, and may seek to cancel policies currently in force or refuse to renew them when they expire.

If the present availability of property insurance decreases further, and faster, the job even of arresting the deterioration of these inner city areas will become more difficult. But arresting this deterioration is not the primary objective. It is more important that the deterioration be *reserved* and a positive program to rehabilitate the affected areas be implemented.

The problem of rehabilitating our inner city areas is receiving a great deal of attention from virtually every segment of society. Private industry is being encouraged to invest time and money in these areas. The Government through the Department of Housing and Urban Development—and other agencies, has many programs designed to help solve the problems.

Many of the efforts being made may be classified under two concrete objectives—to see that all buildings in these areas are clean, safe, and functional and to improve their economic makeup so that they will be self-sustaining and profitable. To attain these objectives it will be necessary to foster increased construction and repair in the area and to foster the expansion of existing businesses and the establishment of new businesses. Adequate property insurance is essential to both of these endeavors.

Thus, if we are to prevent further deterioration in these areas, we must assure that essential property insurance availability *increases*.

The committee believes that the program that would be authorized by this title will cause the increase in the availability of property insurance which is necessary if we are to transform our inner city areas into viable, healthy, growing communities.

#### SUMMARY OF THE PROGRAM

The title would establish the National Insurance Development Corporation in the Department of HUD. The NIDC would provide reinsurance to insurance companies for losses paid by them resulting from riots or civil disorders. By providing this reinsurance, NIDC will enable the insurance industry to continue to provide the necessary property insurance it is now providing to property owners in urban areas. Reinsurance losses would be shared among the insurance companies (through a loss retention and reinsurance premiums paid to NIDC), the States, and NIDC.

The NIDC would also encourage the private property insurance industry, in cooperation with State insurance authorities, to develop statewide plans to assure all property owners fair access to property insurance. These would be known as "Fair Access to Insurance Requirements Plans" (FAIR plans). Minimum criteria would be provided in the bill for the FAIR plans. Although minimum criteria would be established, the State insurance authority would have the responsibility of determining the scope of the plans beyond the established minimum, working out the details of the operation of the plan,

implementing the plan, and overseeing its operation. An insurance company obtaining reinsurance from NIDC would have to agree to participate in the State plans.

NIDC and the State insurance authority would maintain surveillance over the effectiveness of the FAIR plans in increasing insurance availability. If it is determined that the FAIR plan is not obtaining the desired results, additional programs may be required as a condition to continued NIDC reinsurance in the State.

#### DETAILED ANALYSIS OF THE TITLE

Section 1101 of the bill would provide that the title may be cited as the "National Insurance Development Corporation Act of 1968."

#### FINDINGS AND DECLARATION OF PURPOSE

Section 1102(a) of the bill would set forth congressional findings that the inadequacy of the supply of private investment and credit in inner-city areas resulting from an unavailability of property insurance is accelerating the deterioration of such areas and is threatening the economic well-being of cities; recent civil disorders have caused abnormally high losses for the property insurance industry, and the unavailability of reinsurance for such losses resulting from the unpredictability of such losses makes adequate fire, crime, and other insurance coverage even more difficult to obtain; and the national interest demands urgent action to assure continued availability of property insurance.

Section 1102(b) of the bill would state that it is the purpose of the title to assist State insurance authorities and the private insurance industry in the development of statewide programs to increase the availability of necessary property insurance coverage against fire, crime, and other perils for property meeting reasonable underwriting standards, and to provide Federal reinsurance for extraordinary property insurance losses resulting from civil disorder, with appropriate State sharing.

#### AMENDMENT OF THE NATIONAL HOUSING ACT

Section 1103 of the bill would amend the National Housing Act by adding a new title XII, to authorize the establishment of the National Insurance Development Corporation.

The provisions of the proposed new title are discussed in detail below.

#### CREATION AND DISSOLUTION OF NATIONAL INSURANCE DEVELOPMENT CORPORATION

Section 1201 of the proposed new title would create within the Department of Housing and Urban Development, under the authority of the Secretary, the National Insurance Development Corporation. The powers of the Corporation would terminate on April 30, 1973, except to the extent necessary to continue reinsurance until April 30, 1976, and to complete the liquidation and termination of the Corporation in accordance with a plan submitted to Congress for approval on or about April 30, 1976.



## EXECUTIVE DIRECTOR

Section 1202 of the proposed new title would provide that, subject to the provisions of section 1201(a) with respect to the authority of the Secretary of HUD, the Corporation would be managed by an Executive Director to be appointed by the President by and with the advice and consent of the Senate. The Executive Director would be prohibited from serving as an officer or director of an insurance company or holding stock in any insurance company while he is Executive Director.

## ADVISORY BOARD, MEETINGS, DUTIES, COMPENSATION, AND EXPENSES

Section 1203(a) of the proposed new title would establish a 19-member Advisory Board appointed by the Secretary, who would also designate a Chairman and a Vice Chairman. No more than six members of the Board would be from the Federal Government, not less than four would be representatives of the private insurance industry, and not less than four would be representatives of State insurance authorities. The remaining members of the Board would be made up of members from various segments of society, so that all interests affected by the insurance program might be represented.

In determining the makeup of the Board, it would seem advisable to place representatives of the reinsurance industry and the insurance agency industry on the Board so that the Corporation might obtain advice on these important areas.

Section 1203(b) of the proposed new title would provide for the Board to meet at least four times yearly and to hold special meetings at the call of the Chairman or any three members of the Board.

Section 1203(c) of the proposed new title would provide that the Board shall review the general policies of the Corporation, advising the Secretary and the Corporation with respect thereto, and perform other functions specified in the title.

The committee believes that it has provided for maximum efficiency in the management of the Corporation. By vesting the advisory board with the general advisory authority contained in this section, and the many specific areas of advisory authority contained in other sections, the committee believes that it has achieved two desirable results. It has guaranteed as many affected interests as possible that their representatives will be afforded maximum opportunity to advise and be consulted on actions taken or proposed by the Corporation. At the same time, the Corporation is afforded the opportunity to obtain expert advice in carrying out its programs.

The committee is certain that the Corporation will make maximum use of the opportunity to obtain advice from the advisory board and will give full weight to that advice when determining the proper course on the various decisions which will be required.

Section 1203(d) of the proposed new title would provide that non-Federal board members would be compensated at a rate fixed by the Corporation, and would also receive travel expenses incurred in performing their duties.

## DEFINITIONS

Section 1204 of the proposed new title would define: (1) "Environmental hazard" to mean insurance hazards beyond the control of the property owner; (2) "essential property insurance" to mean insurance against direct loss to property as defined and limited in standard fire and extended coverage policies, as approved by the State insurance authority, and insurance for such types, classes, and locations of property against the perils of vandalism, malicious mischief, burglary, or theft, as the Corporation shall designate, but such insurance could not include automobile insurance or such types of manufacturing risks excluded by the State insurance authority; (3) "inspection facility" to mean the rating bureau or other person designated by the State insurance authority to perform inspections under the plans set forth in part A; (4) "insurer" to include insurance companies authorized to engage in the insurance business under State law; (5) "pool" to mean a pool or association of insurance companies formed to make property insurance more readily available; (6) "losses resulting from riots or civil disorders" to mean losses resulting from riots or civil disorders under policies for standard lines of property insurance for which reinsurance is offered, as determined under regulations of the Corporation; (7) "property owner" to mean any person having an insurable interest in real or personal, or mixed real and personal, property; (8) "person" to include any individual or group of individuals, corporation, partnership, association, or any organized group of persons; (9) "reinsured losses" to mean losses on reinsurance claims and expenses incurred in connection therewith; (10) "standard line of property insurance" to include fire and extended coverage, vandalism and malicious mischief, other allied lines of fire insurance, burglary, and theft, those portions of multiple peril policies covering similar perils to the foregoing, inland marine, glass, boiler and machinery, ocean marine, aircraft physical damage, and such other lines as the Corporation may designate; (11) "State" to mean the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, and the Trust Territory of the Pacific; (12) "urban area" to include any municipality or political subdivision of a State subject to population limits and such additional areas as are designated by the State insurance authority; and (13) "year" as a calendar year, fiscal year, or other period of 12 months as designated by the Corporation. The Corporation would be authorized to define any technical or trade term.

It has been pointed out that there has recently been a pattern of losses resulting from intentionally caused fire or other property damage which may or may not be connected in time or place to riots or group activity, but which could be determined to be a form of civil disorder. It is the view of the committee that losses of this nature should be considered by the Corporation when it issues regulations delineating the precise scope of "losses resulting from riots or civil disorders."

It should be noted that the Corporation has discretion as to whether to include certain types of coverage in the term "essential property insurance." The committee recognizes that there are specialized prob-



lems connected with many specific coverages which do not generally apply. However, it cannot be emphasized too much that the primary objective of this title is to increase the availability of the types of property insurance which are necessary to the owners of homes and businesses in urban areas. Accordingly, it is expected that the NIDC will include as many of these optional lines in the term "essential property insurance" as it can, having due regard for the specialized problems which may be involved with these lines.

## PART A—STATEWIDE PLANS TO ASSURE FAIR ACCESS TO INSURANCE REQUIREMENTS

### FAIR PLANS

Section 1211(a) of the proposed new title would require every insurer reinsured by the Corporation to cooperate with the State insurance authority in each State in which it acquires reinsurance, in establishing and carrying out statewide plans to assure fair access to insurance requirements (FAIR plans).

Section 1211(b) of the proposed new title would provide that these plans, which must be approved by the State insurance authority or authorized by State law, are to be administered under the supervision of the State insurance authority, and designed to make essential property insurance more readily available in urban areas. Such plans may vary from State to State because of local conditions, but all plans must include provisions that—

(1) No insurance risk shall be written at a surcharged rate or be denied "essential property insurance" unless there is first an inspection of the property by an inspection facility, without cost to the owner of the property, and a determination made that the risk is not insurable at the applicable premium rate;

(2) Inspections under the plan may be requested (in writing or otherwise) by a property owner (any one with an insurable interest) his representative, or by an insurer, agent, broker, or other producer;

(3) The owner of the building need not be present during an inspection for a tenant seeking insurance to obtain an inspection;

(4) A copy of the inspection report will be promptly sent to an insurer after an inspection;

(5) The insurer will promptly process the application for insurance after the inspection report is received and will promptly return to the inspection facility a copy of the inspection report and a copy of an action report setting forth the amount of coverage the insurer agrees to write. If the insurer agrees to write the coverage with a surcharge, if any is authorized, it must also state the improvements that must be made to the property before it will provide coverage at an unsurcharged rate; if the insurer agrees to provide coverage on condition that certain improvements are made, it must state what improvements are required, as well as the amount of coverage it agrees to write, and if the insurer declines the risk it must clearly state the specific reasons;

(6) An insurer declining a risk, or agreeing to provide coverage only if the property is improved, will promptly send a copy

of the inspection and action reports to the property owner who requested the insurance and the State insurance authority. At the time the insurer sends these reports to the property owner, it must also explain clearly his right to appeal the decision of the insurer to the State insurance authority;

(7) All policies under the plan will be written promptly and will be separately coded for compilation and study purposes;

(8) The inspection facility will submit periodic reports on the operation of the plan to the State insurance authority and to the Corporation. This report would set forth by individual insurer the number of risks inspected under the plan, the number of risks accepted, the number of risks conditionally accepted and reinspections made, the number of risks declined, and other information;

(9) Each insurer participating in the plan must give a policyholder sufficient notice prior to cancellation or nonrenewal to allow the policyholder to seek a new policy under the plan and will explain to the policyholder the procedures for obtaining insurance through the plan; and

(10) A cooperative and continuing public education program will be undertaken by the participating insurers, agents, and brokers to assure that the plan receives adequate public attention.

At this point the committee wishes to emphasize that the title is not designed to replace or alter the existing structure of the insurance industry or its regulation by the individual States. It is designed to utilize the existing structure of the industry and the State insurance regulatory agencies to the maximum extent. It would specifically provide that the statewide FAIR plans shall be administered by the State insurance authority. Although minimum criteria are provided in the bill, the State insurance authority would have the responsibility of determining the scope of the plans beyond the established minimum, working out the details of the operation of the plan, implementing the plan, and overseeing its operation.

The statewide FAIR plans represent a substantial expansion of the urban area plans developed by the insurance industry and State insurance authorities to induce greater writing of insurance in urban core areas and which now operate in 13 States. Urban area plans generally cover only residential properties in limited geographical areas, offer only fire and extended coverage insurance, and have procedural inadequacies. Experience with urban area plans demonstrates their promise, and the FAIR plan is designed to fulfill that promise and secure for all property owners equitable access to basic lines of property insurance.

#### ALL-INDUSTRY PLACEMENT FACILITY

Section 1212 of the proposed new title would require all plans to include an all-industry placement facility, doing business with every insurer in the State participating in the plan. This facility would help agents and brokers place insurance up to the full insurable value of a property, except to the extent that deductibles, percentage participation clauses, and other underwriting devices might be employed to meet special problems of insurability. The facility would seek to place this business equitably among the companies with which it is doing business.



## INDUSTRY COOPERATION

Section 1213 of the proposed new title would require every insurer participating in a plan to file a statement pledging its full participation and cooperation in carrying out the plan with the State insurance authority and with the Corporation. It would prohibit an insurance company from discouraging in any way its agents and brokers from submitting applications for insurance through a plan.

## PLAN EVALUATION

Section 1214(a) of the proposed new title would provide for the State insurance authority to transmit copies of a plan, and any amendments, to the Corporation and to advise it concerning the operation of the plan, and the need to adopt other programs to make essential property insurance more readily available.

Section 1214(b) of the proposed new title would authorize the Corporation, after full consultation with the advisory board, to modify the criteria for plans if it finds, on the basis of experience, such action is necessary or desirable to carry out the purposes of the title. The Corporation would also be authorized to waive compliance with one or more of the plan criteria upon certification by the State insurance authority that compliance is unnecessary or inadvisable under local conditions or State law.

This provision is consistent with the objective of providing maximum flexibility in order to meet different circumstances; it allows changes in the event the existing program is not operating efficiently and it allows modification or change of general requirements which may, for special reasons, be inadvisable under given circumstances.

## PART B—REINSURANCE COVERAGE

## REINSURANCE OF LOSSES FROM RIOTS OR CIVIL DISORDERS

Section 1221(a) of the proposed new title would authorize the Corporation to offer to any insurer or pool, subject to the conditions set forth in section 1223, reinsurance against property losses resulting from riots or civil disorders. Reinsurance would be offered on fire and extended coverage, vandalism and malicious mischief, other allied lines of fire insurance, burglary and theft, and those portions of multiple-peril policies covering perils similar to the foregoing. Reinsurance would be offered on all of these lines, taken together. Companies acquiring reinsurance on all such lines would be eligible to purchase reinsurance on any other individual standard line of property insurance.

Section 1221(b) of the proposed new title would provide that reinsurance coverage may be provided immediately following enactment of the title by means of a written binder which is to expire at the end of a 90-day period or upon the effective date of the reinsurance contract between an insurer and Corporation, whichever is earlier.

Section 1221(c) of the proposed new title would provide that no reinsurance will be offered to an insurer in a State after the expiration of the binder referred to in subsection (b) unless the insurer is participating in that State's plan as described in part A.

## REINSURANCE AGREEMENTS AND PREMIUMS

Section 1222(a) of the proposed new title would authorize the Corporation, during the first year following enactment of the title, to enter into reinsurance contracts in consideration of payment of such premium or other charge which the Corporation deems adequate to obtain an aggregate fund in excess of the estimated amount of insured riot losses during 1967, assuming a substantial proportion of property insurance written will be reinsured. Thereafter, the Corporation may increase or decrease such premiums for reinsurance if it is found, after full consultation with the advisory board and the National Association of Insurance Commissioners, that such action is necessary or appropriate.

Section 1222(b) of the proposed new title would provide that the reinsurance offered shall reimburse an insurer for its total proved and approved claims for losses resulting from riots or civil disorders during the term of the reinsurance contracts, in excess of the amount of the insurer's retention of such losses as provided in the reinsurance contract. The typical insurance company retention of loss arrangement is expected to involve two features: (1) An initial retention of losses, equal to a percentage of premiums earned in a State on lines reinsured, plus (2) the assumption of an additional percentage of total losses, above and beyond the initial retention. For illustrative purposes, the first percentage might be assumed to be 3 percent. Assuming that premiums earned in the State on reinsured lines amounted to \$100 million, the insurers' initial retention would be \$3 million (\$100 million times 3 percent). If the second percentage is assumed to be 10 percent, and the total insured claims from riots and civil disorders by companies doing business in the State in a calendar year amounted to \$45 million, the additional insurers' retention of losses would amount to \$4.2 million (\$45 million less the \$3 million initial retention times 10 percent). Thus, the private insurers' retention of riot losses from their own resources would be \$7.2 million.

Section 1222(c) of the proposed new title would authorize the Corporation to include such terms and conditions in reinsurance contracts as are necessary to carry out the purposes of the title, but that such terms and conditions shall be uniform throughout the country. Nevertheless, to take account of the significant variations between the needs of insurers, the Corporation, in its discretion, may permit insurers to select from different specified levels of retention of losses, provided that the premium rates adequately reflect each level so retained by each insurer, and further provided that the premium rate for any given retention is uniform for all insurers throughout the country.

Section 1222(d) of the proposed new title would provide that reinsurance contracts will be for a term expiring on April 30, 1969, and on April 30 each year thereafter and shall be entered into within 90 days of the effective date of this title or within 90 days prior to April 30 each year thereafter, or within 90 days after an insurer is authorized to write insurance in a State which it was not so authorized to write in the preceding year.



## CONDITIONS OF REINSURANCE

Section 1223(a) of the proposed new title would set forth various conditions under which the Corporation will terminate existing reinsurance and will not offer new coverage on policies written after the termination date.

Paragraph (1) would provide that reinsurance will not be offered in any State if the State itself, its political subdivisions, or a governmental corporation or fund established pursuant to State law, does not assume a portion of the responsibility for assisting the Corporation to reinsure against losses resulting from riots or civil disorders, within 1 year after the effective date of the act, or if the appropriate State legislative body has not met in regular session during that year by the close of its next regular session. The State would not be called on to reimburse the Corporation until the reinsured losses paid by the Corporation in a calendar year are in excess of the total reinsurance premiums received in the State during the year, plus the excess of reinsurance premiums received in the State over reinsured losses paid by the Corporation during the preceding period measured from the most recent calendar year in which the State had reimbursed the Corporation for reinsured losses. After the Corporation has paid such amount of reinsured losses in a calendar year, the State would reimburse the Corporation for its additional reinsured losses in that State during the year, in an amount up to 5 percent of the aggregate property insurance premiums earned in the State during the preceding calendar year on those lines of insurance reinsured by the Corporation in the State. Under the foregoing formula, State sharing would not be required unless losses in a State exceeded the sum of (1) the premiums paid by the insurance industry for reinsurance in that State (premiums paid in the year in which the losses occurred plus premiums paid in previous years in excess of reinsured losses paid), and (2) the companies' retained losses. Assuming that the premiums earned in the State on reinsured lines amounted to \$100 million and that the premiums for Federal reinsurance would be 2 percent of such earned premiums, the first amount would be \$2 million. If the second amount of retained losses by the companies were \$7.2 million, the total would be \$9.2 million. Since total riot losses this amount, in this example (i.e., \$45 million), the State's share would be \$5 million (\$100 million times 5 percent). There would remain to be paid \$30.3 million (\$45 million less \$9.2 million less \$5 million). This amount would be paid by the Corporation, from premiums received from companies for reinsurance in other States.

Paragraph (2) would provide that reinsurance will cease to be available on new policies written in a State after 30 days following the Corporation's notification to the insurer that the Corporation, after consultation with the State insurance authority, finds that a suitable program, in addition to the plan set forth in part A, is required to make essential property insurance more readily available in the State without regard to environmental hazards, and that such program has not been adopted. This paragraph, however, would not become effective until 2 years after the effective date of this act, or at such earlier date as the Corporation, after consultation with the State insurance authority may determine.

Paragraph (3) would provide that reinsurance will cease to be available on policies written in a State after 30 days following notification to the insurer that the Corporation or the State insurance authority finds that the insurer is not fully participating in the plan in the State, in an existing pool, or in any other existing program found by the Corporation to aid in making essential property insurance more readily available in the State. The Corporation could not make such a finding unless it has requested and considered the views of the State insurance authority, or the State authority has failed to respond to a written request for such views within a reasonable period of time.

Paragraph (4) would provide that reinsurance will not be available on new policies written by an insurer following a merger, acquisition, consolidation, or reorganization involving an insurer with reinsurance on one or more lines of insurance and an insurer with or without such reinsurance unless the surviving company meets the criteria of eligibility for reinsurance other than as provided in section 1222(d) and promptly pays any reinsurance premiums due.

Paragraph (5) would provide that reinsurance will terminate upon cancellation by the insurer.

Section 1223(b) of the proposed new title would provide that if reinsurance is terminated or canceled under this section coverage may continue for policies written during the time reinsurance was in force upon payment of an appropriate premium or other charge.

#### FINANCING THE REINSURANCE PROGRAM

The financing arrangement envisions a reinsurance program which can be self-supporting, drawing on reinsurance premiums paid by insurance companies and payments by the States to cover losses from riots and civil disorders which exceed the losses retained by the insurance companies. If riot losses throughout the Nation resulted in reinsurance claims in excess of the aggregate amount of reinsurance premiums received by the Corporation, the excess would be paid from funds borrowed by the Secretary from the Treasury, to be repaid from future reinsurance premiums. In the event that there is a need to borrow from the Treasury, the authorization in section 520(b) of the National Housing Act for mortgage insurance would be employed. This existing authorization for the Secretary to borrow funds for payment of mortgage insurance claims would be modified so that it could also be used for payment of claims under the reinsurance program. The similar financial requirements of these insurance programs makes this appropriate. The reinsurance program, like the mortgage insurance program, must provide an assurance of prompt payment of claims. In both cases the amount of claims cannot be determined in advance and in normal situations premiums are expected to be sufficient to pay anticipated losses.

#### RECOVERY OF PREMIUMS: STATUTE OF LIMITATIONS

Section 1224 of the proposed new title would authorize the Corporation to recover any unpaid premiums for reinsurance. It imposes a 5-year statute of limitations on the recovery by an insurer of excess



premiums paid to the Corporation or the recovery by the Corporation for reinsurance premiums due to it; and provides that if an insurer has filed false documents with the Corporation with the intent to evade payment of the appropriate premium the 5-year period will not begin until the Corporation discovers the deception.

## PART C—PROVISIONS OF GENERAL APPLICABILITY

### CLAIMS AND JUDICIAL REVIEW

Section 1231 of the proposed new title would authorize the Corporation to adjust and pay claims for proved and approved losses covered by reinsurance and authorizes any claimant, upon disallowance of a claim, to institute an action, within 1 year after the receipt of the notice of disallowance in the U.S. district court for the district in which the insured property was situated. Jurisdiction would be conferred on the district court without regard to the amount in controversy.

### FISCAL INTERMEDIARIES AND SERVICING AGENTS

Section 1232(a) of the proposed new title would authorize the Corporation to enter into contracts with any insurer or private organization for performance of any or all of the following functions: (1) Estimating or determining reinsurance claim payment amounts; (2) receiving funds from the Corporation and disbursing and accounting for them in making reinsurance claim payments; (3) auditing the records of any insurer to assure proper payments; (4) establishing the basis of liability for reinsurance; and (5) otherwise furthering the purposes of the act as provided in the contract.

Section 1232(b) of the proposed new title would provide that surety bonds may be required from the insurer or organization or any of its officers or employees participating in carrying out the contract in amounts deemed appropriate by the Corporation. No individual designated to certify payments and no officer in the Federal Government disbursing funds in accordance with a proper certification of payments would be liable with respect to such payments in the absence of gross negligence or intent to defraud the United States.

### NATIONAL INSURANCE DEVELOPMENT FUND

Section 1233(a) of the proposed new title would authorize a national insurance development fund to be used by the Corporation to carry out the programs authorized under the new title. The fund will be available without fiscal year limitation to: (1) Pay reinsurance claims under the reinsurance coverages provided in part B; (2) pay the administrative expenses of the Corporation; and (3) repay, with interest, sums which may be borrowed from the Secretary of the Treasury under section 520(b) of the National Housing Act.

Section 1233(b) of the proposed new title would provide that the fund is to be credited with: (1) Reinsurance premiums paid by insurers in connection with the reinsurance coverages provided under part B; (2) amounts advanced to the fund from appropriations to maintain the fund in a condition adequate to meet its liabilities; (3)

interest on investments of the fund; (4) receipts from other sources which may be deposited in the fund; and (5) funds which may be borrowed under section 520(b) and deposited in the fund.

Section 1233(c) of the proposed new title would authorize the Secretary, after determination that fund moneys exceed current needs, to invest such amounts as he deems advisable through the Secretary of the Treasury, in obligations issued or guaranteed by the United States.

#### RECORDS, ANNUAL STATEMENTS, AND AUDITS

Section 1234(a) of the proposed new title would require any insurer acquiring reinsurance from the Corporation to furnish the Corporation with summaries and analyses of information in their records in such form as the Corporation, in cooperation with the State insurance authority, shall prescribe by rules and regulations. The Corporation would be required to use State insurance authority examination reports and facilities to the maximum extent feasible.

Section 1234(b) of the proposed new title would require every insurer acquiring insurance to file with the Corporation a copy of the annual statement, or any amendment thereto, that it files with the State insurance authority of its domiciliary State, at the time it files the statement or amendment with the insurance authority.

Section 1234(c) of the proposed new title would require insurers or other persons executing contracts with the Corporation under sections 1222 or 1232 to keep such reasonable records as will facilitate an effective audit of liability for reinsurance payments by the Corporation.

Section 1234(d) of the proposed new title would authorize the Corporation and the Comptroller General of the United States, or their designees to have access to the books and records of an insurer or other person for the purpose of conducting an audit pertinent to the costs of any program undertaken for, or services rendered to, the Corporation. To the maximum extent feasible, such audits are to be conducted in cooperation with State insurance authorities and through use of their examining facilities.

#### STUDY OF REINSURANCE AND OTHER PROGRAMS

Section 1235 of the proposed new title would authorize and direct the Corporation to conduct studies to help assure an adequate supply of burglary and theft and other property insurance in urban areas, and to help assure the adequate availability of surety bonds for construction contractors in urban areas. The Corporation is required to submit the results of its study, together with appropriate recommendations, to the Secretary for transmittal to the President and the Congress no later than 1 year after the effective date of the title.

Section 1236 of the proposed new title would authorize the Corporation, in cooperation with State insurance authorities and the private insurance industry, to undertake studies of (1) the operation of the plans under part (A); (2) the extent to which essential property insurance is unavailable in urban areas; (3) the market for private reinsurance; and (4) loss-prevention methods and procedures, insurance marketing methods, and underwriting techniques.



## GENERAL POWERS OF THE CORPORATION

Section 1237 of the proposed new title would set forth the following general corporate powers of the Corporation; to have a corporate seal; to sue and be sued (with all suits of a civil nature in which the Corporation is a party deemed to arise under the laws of the United States); to enter into and perform contracts, leases, and other agreements without competitive bidding; to employ a staff; to issue such rules and regulations as the Executive Director deems necessary or appropriate to carry out the title, after full consultation with the Advisory Board, and after notice, and hearing if granted, as required by the Administrative Procedure Act; and to exercise all powers specifically granted by the title and such incidental powers as are necessary to carry it out.

## SERVICES AND FACILITIES OF OTHER AGENCIES—UTILIZATION OF PERSONNEL, SERVICES, FACILITIES, AND INFORMATION

Section 1238 of the proposed new title would authorize the Corporation, with the consent of the agency concerned, to utilize the personnel and information of any agency of the Federal Government on a reimbursable basis and to obtain without reimbursement data relating to matters within the jurisdiction of the Corporation from any agency having custody of such data without reimbursement, to the extent permitted by law.

## ADVANCE PAYMENTS AND FINALITY OF CERTAIN FINANCIAL TRANSACTIONS

Section 1239(a) of the proposed new title would provide that any financial transaction of the Corporation relating to reinsurance under the title shall be final and conclusive on all officers of the United States.

Section 1239(b) of the proposed new title would authorize the Corporation to make payments in advance or by way of reimbursement, and in such installments and on such conditions as the Corporation may determine.

## TAXATION

Section 1240(a) of the proposed new title would exempt the Corporation from taxation by any local or State government and the Federal Government, except on real property acquired as a result of reinsurance. Real property may be taxed by a State or political subdivision thereof to the same extent, according to the value of the property, as other real property is taxed.

Section 1240(b) of the proposed new title would provide that any measures undertaken by a State to meet or fund its obligations for reinsured losses under section 1223(a) (1) of the title shall not be the subject of any retaliatory or fiscal imposition by any other State.

## ANNUAL REPORT

Section 1241 of the proposed new title would require the Secretary to include a report on the operation of the Corporation in his annual report.

## APPROPRIATIONS

Section 1242 of the proposed new title would authorize such appropriations as may be necessary to carry out the title.

## FINANCING

Section 1104 of the bill would amend section 520(b) of the National Housing Act to authorize payments by the Secretary for property losses reinsured under title XII of the act.

## GOVERNMENT CORPORATION CONTROL ACT

Section 1105 of the bill would define the National Insurance Development Corporation as a wholly owned Government corporation under the Government Corporation Control Act.

## COMPENSATION OF EXECUTIVE DIRECTOR

Section 1106 of the bill would provide for compensation of the Executive Director of the National Insurance Development Corporation at the rate prescribed for level IV of the Federal executive salary schedule.

## CLARIFYING AMENDMENTS TO ACTS REFERRING TO DISASTERS

Section 1107 would amend provisions of existing laws relating to Federal assistance for disaster relief so as to make it clear that such assistance can be provided in the case of disasters resulting from riots or civil disorders. This legislation is needed to help the innocent victims of violence.

The Disaster Relief Act of 1950 would be amended so as to specifically include riots and civil disorders within the definition of "major disaster." Pursuant to Presidential determination, this would make riot-torn communities eligible for the Federal disaster assistance under the 1950 act and the Disaster Relief Act of 1966. Under these programs, communities could receive Federal emergency assistance, such as the provision of temporary or emergency housing and the use of Federal equipment, supplies, facilities, and personnel. Borrowers under the REA loan program or HUD loan programs could have their loans refinanced where such action is necessary because of damage or destruction of the property. Applications for public housing and public facilities assistance would be accorded priority treatment, and the community could be eligible for Federal grants to cover part of the cost of restoring certain kinds of public facilities.

In addition to these basic disaster relief statutes, the section would amend several other programs which provide disaster assistance. These would include section 7(b)(1) of the Small Business Act which authorizes small business loans for disaster victims; section 101(c) of the Housing and Urban Development Act of 1965 which makes low-income disaster victims eligible for admission to rent supplement housing projects; section 111 of the Housing Act of 1949, which authorizes the waiver of a number of urban renewal program requirements in



the case of assistance for disaster areas; and section 203(h) of the National Housing Act, which authorizes the provision of FHA section 203 mortgage insurance on loans up to \$12,000 at 100 percent of the appraised value of the property to individuals whose homes have been damaged by a disaster and require reconstruction.

The amendments which would be made by this section, in several instances, would merely make express the authority which the agencies now have to take the action contemplated. The committee wishes to emphasize that the amendments made by this section are *not* intended to replace or supplant the necessity for property insurance coverage on property located in the affected areas. These amendments are intended to *supplement* such insurance by making available additional financial aid if it is still necessary after the property owners have received the benefit of the property insurance coverage which they have.

## **Title XII—National Flood Insurance Act of 1968**

Title XII of the bill would authorize a national program under which flood insurance can be made available to occupants of flood-prone areas through the cooperative efforts of the Federal Government and the private insurance industry. The program would be administered by the Department of Housing and Urban Development. Other Government agencies would cooperate with the Department with respect to gathering data necessary for establishing actuarial premium rates.

The facilities of the private insurance industry would be fully utilized in carrying out the program. Private insurance companies could either assume a portion of the risk in carrying out the program or could participate on a nonrisk basis. Risk-sharing companies would commit risk capital to an industry pool of companies which would absorb a share of the losses and expenses of the program. The Federal Government would make premium equalization payments to the pool to cover losses and also would provide reinsurance coverage to the pool for excessively high losses. Insurance companies in the pool would pay a premium to the Government for this reinsurance coverage in years of low-flood losses. Other non-risk-bearing insurance companies would participate in the program as fiscal agents of the pool.

A most important public purpose which the program will serve will be to encourage State and local governments to adopt and enforce appropriate land use provisions to restrict the future development of land which is exposed to flood hazard.

This title is identical to the flood insurance legislation (S. 1985) that was passed by the Senate on September 14, 1967. This legislation was subsequently amended and passed by the House on November 1, 1967. Both the House and the Senate insisted upon their versions of the legislation, and conferees were appointed by both Houses. A conference committee meeting between the two Houses on the legislation was not scheduled.

## NEED FOR A FLOOD INSURANCE PROGRAM

Heavy losses over the years from hurricanes in the coastal areas and from storms in inland areas of the Nation dramatize the lack of insurance protection against flood damage. Insurance protection against the risk of destruction caused by tornadoes and other natural catastrophes is generally available, but it is not available against the risk of flood loss.

Communities along the seacoast or in a river basin become completely immobilized following a major flood. Usually, they must depend on the Federal Government and voluntary relief agencies to provide various forms of assistance. Some State and local governments have limited programs to assist a flood-stricken area, but disaster relief from all of these sources is inadequate to provide for the necessary restoration of heavily damaged areas. These facts underline the need for a program which will make insurance against flood damage available, encourage persons to become aware of the risk of occupying the flood plains, and reduce the mounting Federal expenditures for disaster relief assistance.

## DESCRIPTION OF THE BILL

The Secretary of Housing and Urban Development will establish a program of flood insurance, as a joint venture between the Federal Government and the private insurance industry. The bill permits as an alternative, but only if necessary, an all-Federal program with or without participation by companies, agents, or brokers as fiscal agents.

*Coverage*

A priority will be afforded during the early stages of the program to making insurance available for one- to four-family residential properties. Later, flood insurance can be expanded to cover other types and classes of properties (such as business, agricultural, and other properties), when feasible.

A priority will also be given to making insurance available in States or areas which evidence a positive interest in the program, and which give assurances that, by June 30, 1970, appropriate permanent land use and control measures consistent with land management and use criteria specified by the Secretary will be adopted.

The committee believes that it would not be logical as a matter of public policy to permit insurance to be made available in localities which did not, on their own initiative, or on the initiative of State or other authorities, take appropriate steps to assure that their citizens would not develop property where it is subject to known severe flood hazards.

The objectives of land-use criteria are to: (1) Restrict the development of proposed construction in areas threatened by flood hazards, (2) assist in reducing damage caused by floods, and (3) otherwise improve the long-range land management and use of flood-prone areas. The committee wishes to point out that these criteria must be applied reasonably.



After consultation with the insurance industry and the State insurance commissioners, the Secretary will determine the terms and conditions of insurability for properties eligible for flood insurance coverage. These matters will be covered in regulations. Insurance for existing one- to four-family residential properties at rates below actuarial cost will be limited to \$15,000 liability per dwelling unit, and \$30,000 for any single structure. Liability for personal property would be limited to \$5,000 per dwelling unit. Any other existing properties which will be made eligible for insurance under the program in the future could be insured for up to \$30,000 of coverage per structure at rates below actuarial cost.

These limitations will, in general, only be applicable to insurance involving premium rates below actuarial cost, and the bill permits insurance at full actuarial cost to be sold for coverage in excess of the \$15,000 per single dwelling unit and \$30,000 per single structure, but not, in any case, to exceed twice these specified figures. Thus, for example, an existing single-family residential unit valued at \$32,000 might be eligible for up to \$15,000 in "subsidized" insurance, and insurance at the full cost rate between \$15,000 and \$30,000.

### *Insurance Premium Rates*

Necessary rate studies and investigations will be carried out through utilization of the services of the Army Corps of Engineers, the Geological Survey, the Soil Conservation Service, the Coast and Geodetic Survey, TVA, and other Federal departments and agencies, to estimate risk premium rates (actuarial rates) for flood insurance. The Secretary will also estimate rates (at less than the risk premium rates if necessary) which will be reasonable and will encourage persons to purchase flood insurance. These studies and investigations will be designed to accumulate necessary information in addition to the data which the Department now has with respect to flood insurance as a result of the flood insurance study. Estimates of rates will include applicable operating costs and operating allowances (administrative costs of selling and servicing insurance, and the profit and contingencies, respectively). Based on these estimates and determinations of reasonable rates which can be charged to property owners, the Secretary will prescribe chargeable premium rates for eligible properties (at less than the risk premium rates, if necessary), and the terms and conditions applicable to such rates.

In prescribing rates, the respective risks involved would be considered, in terms of location, type of structure, flood-proofing or similar measures, and other criteria. Rates will be stated so as to reflect the differences between estimated risk premium rates and the rates charged when they are below these rates.

Property constructed or substantially improved, after identification of the area in which it is located as a flood hazard area, could only be insured at the risk premium rate (actuarial cost) estimated for the property in such area.

Any Federal "subsidy" which will accrue under the insurance program to the benefit of property owners now occupying the flood plain is defensible only as part of an interim solution to long-range readjust-

ments in land use. Because such assistance should not prejudice these needed long-range adjustments, the case for temporary partial subsidization of the cost of flood premiums for existing properties in high-hazard zones is not at all valid for new properties in the same zones.

Actuarial premium rates must be established before insurance is offered. To meet the objectives of actuarial soundness, the Secretary will compile and analyze flood frequency data in individual flood plain areas and establish rates based on a consideration of the risk involved and accepted actuarial principles with respect to the types and classes of property for which flood insurance coverage will be available. This will be done on an area-by-area basis, since flood damage risks vary from one area to another.

### *Duplication of Benefits*

The committee bill is designed to encourage individuals to pay at least part of the cost of providing insurance to protect them against flood disasters, and thereby to reduce the need for special disaster relief measures. To this end, the bill contains provisions to prevent any duplication of Federal disaster benefits with respect to portions of property loss covered under flood insurance policies. Other provisions are designed to encourage persons most likely to suffer future damage from flood either to purchase flood insurance made available to them within a reasonable period of time, or, with certain exceptions, be precluded from further Federal disaster assistance in the event of future floods.

### *Federal Financial Participation in the Program*

Any program of insurance against the risk of flood losses must have assurance that funds will be made available to meet abnormally high losses that may occur in any single year. The bill therefore creates the national flood insurance fund in the Treasury of the United States which would become the instrumentality through which the Federal Government's share of the cost of the insurance program will be provided. To finance this fund, all authority which was available to the Housing and Home Finance Administrator by section 15(e) of the Federal Flood Insurance Act of 1956 is vested in the Secretary. Under this provision, the Secretary may issue notes or other obligations to the Secretary of the Treasury in the aggregate of \$500 million to carry out the Federal responsibilities under the program. These are: (1) Making premium equalization payments to the insurance pool, to compensate for losses attributable to the difference between the actuarially correct premium and the premium actually charged the policyholder; and (2) providing a Federal program of excess loss reinsurance, to assist the industry in meeting losses in years of higher than normal claims.

Borrowed Treasury funds will be deposited in the flood insurance fund authorized under the bill. Appropriated funds necessary to maintain the fund in an operative condition will also be deposited in the fund, as will reinsurance premiums paid by the insurance pool.



Subsidy payments and reinsurance claims will be paid from the fund. The fund will also become the fiscal means through which Treasury borrowings would be repaid, and available moneys would be used for this purpose (supplemented by moneys appropriated to the fund).

This financing mechanism for carrying out the program is essential to its operation, because it will be necessary to carry out commitments which the U.S. Government will be required to make, and to meet liabilities it assumes for payment of a share of claims and expenses under contracts with an insurance industry pool. Under the bill, the Secretary will enter into agreements with a flood insurance pool, and will make periodic premium equalization payments and, when necessary, provide reinsurance to the pool. The exact amount of payments will be unknown until the flood damage occurs, the claims are made, adjusted, and certified. At such times the insurance pool, under agreement with the Government, will have already made payment of these claims. The pool therefore must have available the Government's share of liabilities under the program without delay.

### *Limitations*

The face amount of flood insurance policies outstanding at any one time under the committee bill could not exceed \$2.5 billion. This is roughly equivalent to coverage of 150,000 to 175,000 dwellings at about \$14,000 per dwelling unit, and will be sufficient to carry the program for several years before the limitation will have to be reviewed by the Congress.

In addition, the bill provides that flood insurance could not be issued for property declared to be in violation of State or local laws, regulations, or ordinances intended to discourage or otherwise restrict land development or occupancy in flood-prone areas.

### ORGANIZATION AND ADMINISTRATION OF THE FLOOD INSURANCE PROGRAM

The Secretary is authorized to carry out the flood insurance program through a pool organized by the insurance industry or through a Government program with or without industry aid, or through both administrative means.

### INDUSTRY PROGRAM WITH FEDERAL FINANCIAL ASSISTANCE

#### *Insurance Company Pool*

The Secretary will encourage private insurance companies to join together in a pool to sell and service flood insurance coverage under the program. These companies will participate financially in underwriting the risks assumed, and in profits or losses realized or sustained.

The Secretary will enter into an agreement with any such pool and the agreement will form the basis of the relationship between the Government and the industry. In general, the agreement will require assurance from the industry: (1) Regarding continuity of coverage by insuring companies; (2) that companies meeting minimum standards will not be excluded; and (3) with respect to cooperation with other companies, agents, and brokers who wish to sell and service flood insurance on a non-risk-sharing basis.

### *Premium Equalization Payments*

Subsidy payments would be made to the pool to compensate for losses after they occur. These payments would reflect the difference between below-cost premium rates, and actual cost premium rates. The payment formula is prescribed in the bill.

### *Reinsurance*

The Secretary is authorized to provide a reinsurance program for the insurance industry pool. This program would be designed to insure that the industry and the Federal Government share in bearing the losses under the flood insurance program consistent with the objectives of the legislation.

The program will be carried out under an excess loss reinsurance agreement, requiring payment of reinsurance premiums by the pool. Reinsurance payments to the pool by the Government will be made when a stop-loss limit on claims on the pool is exceeded. Before the stop-loss limit is reached, the pool will call upon the risk capital pledged by risk-participating members.

The legislation contains a provision which would prohibit profits to insurance companies from the pools in the event the cumulative premiums collected by the Government for reinsurance were insufficient to pay cumulative reinsurance claims. However, such restrictions would be removed after any period of 5 years, or when the Government's deficits were eliminated, whichever is sooner.

### GOVERNMENT PROGRAM

#### *Federal Operation of the Program*

The bill provides a backstop in the event the pool cannot carry out the joint Federal-private program effectively. The Secretary of HUD would be required to make a report to Congress with supporting findings and recommendations 90 days, during which time Congress is in session, prior to implementing the all-Federal program. Then the Secretary would be empowered to establish a totally Federal program or a federally financed program using insurance companies, agents, and brokers to sell and service policies.

### OPERATION OF THE FLOOD INSURANCE PROGRAM

The committee is convinced on the basis of the Secretary's report and from testimony received at its hearings from the insurance industry and governmental witnesses that a joint insurance industry-government venture is the best approach for providing flood insurance at reasonable cost to our Nation's citizens. In addition, the committee hopes that as more experience is gained in this area the program will become self-sustaining.

#### *Insurance Industry Pool*

The insurance pool authorized by this bill will be an association of private insurance carriers formed to make flood insurance available.



It will be open to all qualified companies licensed to write property insurance under the laws of the separate States who meet minimum requirements prescribed under the bill. Relations between the Government and the insurance pool will be governed by an agreement which will set forth in detail the conditions of operation.

Participation in the pool by private companies can take the form of risk capital participation. Some companies can elect to operate as fiscal agents for risk-taking members of the pool. The significance of this arrangement is that small companies with limited capital resources will not be prevented from participating.

### *Operation of the Pool*

Participating member companies of the pool, either as risk bearers or as fiscal agents, will sell and service policies in much the same way as they now sell insurance against fire and other perils. Their relationship with the pool will be governed by an agreement, the conditions of which will be subject to approval by the Secretary of Housing and Urban Development. As fiscal agents they will be paid fees for selling and servicing of policies. As risk bearers, they will share in the aggregate profits or losses of the pool's operation for a particular accounting period. Risk-bearing member companies will be jointly liable for the payment of claims by insolvent members.

The Government-pool relationship will be governed by an agreement setting forth financial and other arrangements.

### *Financial Arrangements With Government*

Testimony of witnesses at the hearings developed the fact that, for a number of months, discussions had been going on between the Department of Housing and Urban Development and the industry as to the financial arrangements which could be made for operating the proposed joint flood insurance program. An understanding has been reached on the broad features of expenses, losses, and profits.

Among the broad features of the financial arrangements which have been discussed, one key feature is that the Government and the industry will both share in expenses and losses of the insurance operation. The basis for this sharing will be the same as the sharing in the risk.

The sharing in risk will be measured by the relationship between chargeable premiums—that is the premiums which policyholders pay—and the estimated risk premiums—that is, the premium needed to cover the actuarial risk plus operating costs and allowances. The Government will assume that proportion of the risk represented by the difference between these policyholder-paid premiums collected and the estimated (actuarial) premium amounts for all policies written and in force under the program.

As the program develops, it can be expected that the industry's risk and share of losses will become greater. This is because existing properties will be substantially improved or replaced by new properties, and therefore, more and more of the chargeable premiums will become full cost premiums. At some time in the future, therefore it is possible for the chargeable premiums to equal the estimated premiums.

At that time, the Government will have no liability for expenses or losses, except with respect to reinsurance that may be needed against catastrophic losses. This feature of the proposed arrangement seems to the committee to be desirable from the standpoint of the Federal Government, the private insurance industry, and the public as a whole.

### **Title XIII—Interstate Land Sales**

This title, which may be cited as the "Interstate Land Sales Full Disclosure Act," would give to the Secretary of Housing and Urban Development the authority to require full disclosure in the sale or lease of certain undeveloped land in interstate commerce or through the mails. The necessity for this legislation was made very apparent during hearings held by the Special Committee on Aging in 1964 and by the Securities Subcommittee of this committee in 1966 and 1967.

Evidence of abuse in the sale of undeveloped land by promoters was presented at the hearings. For example, many people, including our Nation's senior citizens, have purchased property in response to false and misleading promises regarding the nature of the land and the type of community in which it would be located. As a result, they have suffered financial losses, which in many instances amounted to their entire life savings. The Post Office Department has reported that between 1962 and 1966 such losses totaled more than \$50 million.

The sale of undeveloped subdivided land in resort and retirement areas has become a major business. Naturally, it has attracted some get rich quick promoters who make glowing promises of fully developed "dream communities." There have been far too many cases where all of the pertinent information is not disclosed, such as, the availability of convenient access and utilities.

The great majority of the sellers of undeveloped land to the public are responsible. They attempt to fully inform the prospective purchaser about what he is buying. However, the public and the responsible developers suffer from those developers who do not disclose all the material facts to the prospective purchaser. The proposal of the committee would authorize the Secretary of Housing and Urban Development to require such disclosure. By so doing, the public is protected as is the responsible developer.

Under present law, there is no effective means by which full and accurate information can be required. Once a misrepresentation has been proved, a developer can be stopped or required to correct his misrepresentation. However, this is no relief to the innocent purchaser who may already have been harmed.

This title would meet this problem by prohibiting the sale of land covered by it until there had been filed with the Secretary a statement of record listing certain required information about the ownership of the land, the state of its title, its physical nature, the availability of roads and utilities, and other matters. If the Secretary determined that the statement was incomplete or inaccurate, he could keep it from becoming effective until the developer filed the necessary information.

Pertinent extracts from the statement of record would then have to be included in a property report, approved by HUD, which would have to be furnished to a purchaser before a sale is consummated. This



property report would be required to contain that information concerning the land being sold which was determined most important to apprise fully a prospective buyer of what he would be purchasing. Failure to furnish the property report beforehand would give the purchaser the right to revoke the agreement at his option.

These requirements mean that the seller of undeveloped land covered by this title would be required to inform the purchaser not only of the desirable aspects but also of any undesirable aspects. The purchaser will then be better able to make an intelligent decision. This proposal does not authorize the Federal Government to pass upon the quality of what is being sold or upon such questions as land value, land use, or zoning. Its purpose is to give the purchaser the information necessary to make his own determination of the quality of what is being sold.

Failure to comply with the provisions of the act would subject an offender to confinement in prison of up to 5 years, or a \$5,000 fine, or both. Much broader civil remedies than are now available are also provided. Under existing law, it is very difficult for a purchaser to recover damages as a result of misrepresentations from out-of-State developers. In such cases, in order to get meaningful relief, he must file suit in the State in which the developer is located. In many cases, this is a practical impossibility for aggrieved purchasers. This title would provide relief by authorizing a suit for damages in any State or Federal court for the district in which the defendant may be found or in which the transaction took place. In addition, the Secretary of the Department of Housing and Urban Development is authorized to seek an injunction in a U.S. district court against any developer the Secretary can show is violating, or about to violate, the law.

The provisions of this title would cover any transaction involving undeveloped land which is subdivided into 50 or more lots and which is proposed to be sold or leased as part of a common promotional plan. There are several exemptions, including transactions involving cemetery lots and subdivisions in which all the lots are to be 5 acres or larger in size. In addition, sales to persons purchasing the land for the purpose of constructing buildings or for the purpose of reselling the land to others who intend to construct buildings are exempt. These and the other exemptions are meant to avoid covering situations in which the problems sought to be corrected do not normally occur.

Before a developer may sell land covered under the bill, the statement of record must be found by the Secretary to meet the content and accuracy requirements of the law. Provision is made for hearings by the Secretary or his designee. Any aggrieved developer may insist upon a hearing and seek an adjudication on the merits by the Secretary. Appeals may be taken from the Secretary's findings to the U.S. court of appeals.

The committee believes that because of the nature of the business and its interstate character, innocent purchasers can be effectively protected only through Federal action. A number of States have enacted legislation to deal with abuses within their States. However, many others have not. In any event, States are simply unable, because of jurisdictional problems, to protect their own citizens against out-of-

State promoters. This is especially true in those cases involving the mails and other forms of interstate communication.

Your committee does not intend to interfere with or to impede State efforts to regulate the sale of undeveloped land subject to their jurisdiction. The bill provides specifically that nothing in it shall affect the jurisdiction of any State real estate commission and it directs the Secretary to cooperate with appropriate State authorities. The Secretary may accept for filing, as a statement of record, material filed with and found acceptable by such authorities. Also, any remedies a purchaser may have under existing State laws would be preserved. Furthermore, the committee expects the Secretary to utilize the discretion given him to exempt sales of lots in subdivisions which would technically be covered but which are intrastate or almost entirely intrastate in nature—such cases as where interstate sales are very few in number and mainly coincidental. Such a situation could arise, for example, where a few out-of-State purchasers buy lots in a subdivision which is only being offered for sale within the State of the land's location or in nearby communities.

A more detailed section-by-section analysis of the provisions of this title follow.

#### SHORT TITLE

Section 1301 provides that the title may be cited as "The Interstate Land Sales Full Disclosure Act."

#### DEFINITIONS

Section 1302 defines: (1) "Secretary" to mean the Secretary of Housing and Urban Development; (2) "person" to mean an individual, or an unincorporated organization, partnership, association, corporation, trust, or estate; (3) "subdivision" to mean any land which is divided or proposed to be divided into 50 or more lots, whether contiguous or not, for sale or lease as part of a common promotional plan, and creates a presumption of a common promotional plan where land, which is contiguous or is known, designated, or advertised as a common unit or by a common name, is offered for sale or lease by a developer, or group of developers acting in concert, without regard to the number of lots covered by each individual offering; (4) "developer" to mean any person who sells or leases, or offers or advertises to sell or lease, any lots in a subdivision; (5) "agent" to mean any person who represents or acts for or on behalf of a developer in selling, leasing, or offering to sell or lease, any lot or lots in a subdivision; (6) "blanket encumbrance" to mean a trust deed, mortgage, other lien or encumbrance affecting a subdivision or more than one lot in a subdivision, excluding any lien or encumbrance resulting from the imposition of a tax assessment by any public authority; (7) "interstate commerce" to mean trade or commerce among the several States; (8) "State" as the several States, the District of Columbia, the Commonwealth of Puerto Rico and the territories and possessions of the United States; (9) "purchaser" to mean an actual or prospective purchaser or lessee of any lot in a subdivision; and (10) "offer" as any inducement, solicitation, or attempt to encourage a person to acquire a lot in a subdivision.



## EXEMPTIONS

Subsection (a) of section 1303 provides that, unless the method of disposition is adopted to evade the provisions of the Act, it shall not apply to the: (1) Sale or lease of real estate not pursuant to a common promotional plan to offer or sell 50 or more lots in a subdivision; (2) sale or lease of lots in a subdivision, all of which are 5 acres or more in size; (3) sale or lease of improved land on which there is a residential, commercial, or industrial building or land under a contract requiring that the seller erect such a building on the property within 2 years; (4) sale or lease of real estate pursuant to a court order; (5) sale of evidences of indebtedness secured by a mortgage or deed of trust on real estate; (6) sale of securities issued by a real estate investment trust; (7) sale or lease of real estate by any government or government agency; (8) sale or lease of cemetery lots; and (9) sale or lease of lots to any person who acquires them to engage in the business of constructing residential, commercial, or industrial buildings or for resale or lease to persons engaged in such business. With respect to this last exemption (9) it is not the intent of the committee to have the exemption apply to sales of land to those not normally engaged in the business of dealing in land for the purpose of supplying building lots to builders. The committee expects the Secretary to administer the law to include within the protections of the legislation sales of small amounts of land to casual investors.

Subsection (b) provides that the Secretary may exempt subdivisions or lots within a subdivision from any of the provisions of the act, if he finds that coverage of the subdivision or lots is not necessary to the public interest and for the protection of purchasers due to the small amount involved or the limited character of the offering.

PROHIBITIONS RELATING TO THE SALE OR LEASE OF LOTS IN  
SUBDIVISIONS

Subsection (a) of section 1304 makes it unlawful for any developer or agent, directly or indirectly, to use any means or instruments of transportation or communication in interstate commerce or the mails: (1) To sell or lease any lot in any subdivision unless a statement of record covering the lot is in effect pursuant to section 1307 and a printed property report in accordance with section 1308 is furnished the purchaser before he signs the contract or agreement for sale or lease; and (2) in selling, leasing, or offering to sell or lease any lot in a subdivision to employ any device, scheme, or artifice to defraud; to obtain money or property by misrepresenting any information included in the statement of record, property report, or any other information pertinent to the lot on which the purchaser relies; or to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit on a purchaser.

Subsection (b) provides that a purchaser may void a contract or agreement for sale or lease of a lot covered by the act if he was not given a copy of the property report before or at the time of his signing it. It further provides that, where a purchaser receives the property report within 48 hours of his signing the contract or agreement, he may revoke it within 48 hours, and the contract or agreement shall so pro-

vide. However, this latter provision shall not apply in the case of a purchaser who: (1) Has read the report and inspected the lot in advance of signing the contract or agreement; and (2) acknowledges such by his signature.

#### REGISTRATION OF SUBDIVISIONS

Subsection (a) of section 1305 provides that a subdivision may be registered by filing a statement of record with the Secretary meeting the requirements of the act and the rules and regulations prescribed by the Secretary. The registration would be deemed effective only with respect to those lots specified.

Subsection (b) provides for payment to the Secretary by the developer of a registration fee, not in excess of \$1,000, in accord with a schedule to be fixed by regulations of the Secretary.

Subsection (c) provides that the filing of a statement of record or an amendment takes place on its receipt accompanied by payment of the fee provided in subsection (b).

Subsection (d) requires that information contained in or filed with a statement of record be available to the public under regulations prescribed by the Secretary, with copies to be furnished at a reasonable charge.

#### INFORMATION REQUIRED IN STATEMENT OF RECORD

Section 1306 provides that the statement of record shall contain information and be accompanied by documents specified as follows: (1) The name and address of each person having a substantial interest in the lots in the subdivision covered by the statement and the extent of the interest (not meant to include owners of lots not to be offered to the public or shareholders of the developer, except substantial holders, officers, and directors); (2) a legal description of the subdivision, a statement of its total area and topography, and a map showing the division proposed and the dimensions of the lots and their relation to existing streets and roads; (3) a statement of the condition of title to the land, including a statement of encumbrances; (4) a statement of the general terms and conditions, including the range of selling prices or rents at which the land is to be disposed of; (5) a statement of the present condition of access to the subdivision, the availability of sewage-disposal facilities and other public utilities (including water, electricity, gas, and telephone), the proximity in miles to nearby municipalities, and the nature of any improvements to be installed by the developer together with his estimated schedule for completion; (6) where there is a blanket encumbrance affecting the subdivision or any portion of it, a statement of the consequence to an individual purchaser if there is failure to meet the obligation and the steps taken, if any, to protect the purchaser if there is such a failure; (7) a copy of the articles of incorporation or other organizational documents of the developer, or, if the purported holder of legal title is a person other than the developer, copies of these documents for that person; (8) copies of the instrument establishing title in the developer or other person and copies of any instrument creating a lien or encumbrance upon the title, or copies of the opinion or opinions of counsel on the title, or copies of the title insurance policy guaranteeing



the title; (9) copies of all forms of conveyance to be used in selling or leasing lots to purchasers; (10) copies of instruments creating easements or other restrictions; (11) such certified or uncertified financial statements as required by the Secretary; and (12) other information, documents, and certifications as required by the Secretary as being reasonably necessary or appropriate for the protection of purchasers.

#### TAKING EFFECT OF STATEMENTS OF RECORD AND AMENDMENTS THERETO

Subsection (a) of section 1307 provides that a statement of record, or any amendment, shall take effect on the 30th day after filing or at an earlier date if the Secretary so determines. If an amendment is filed prior to the effective date, the statement shall be deemed to have been filed when the amendment was filed, unless it was filed with consent of the Secretary or pursuant to his order. In such case, the amendment would be treated as having been filed as of the date of the filing of the statement of record. When additional lands are offered for disposition, a developer may consolidate the statement with any prior statement of record offering subdivided land under the same promotional plan. The consolidated statement must include any material changes in the information contained in the earlier statement.

Subsection (b) provides that the Secretary must advise the developer within a reasonable time after filing and prior to the effective date if the statement or any amendment appears on its face to be incomplete or inaccurate in any material respect. The notification suspends the effective date until 30 days after the developer files such additional information as the Secretary requires. On receipt of notification, the developer may request a hearing which must be held within 20 days of the Secretary's receipt of the request. An appeal may be made from the decision handed down at this hearing as prescribed in section 1311.

Subsection (c) requires the developer to file an amendment to a statement if any change occurs subsequent to its effective date which affects any material fact required to be contained in the statement. On receipt of the amendment, the Secretary may suspend the statement of record until the amendment becomes effective, if he determines suspension to be necessary or appropriate in the public interest or for protection of purchasers.

Subsection (d) permits the Secretary to suspend a statement of record if it appears to him that it includes an untrue statement of a material fact or omits to state a material fact required to be stated or necessary to make the statement not misleading. An order suspending the statement may be issued by the Secretary after notice by personal service, or the sending of confirmed telegraphic notice, and opportunity for a hearing within 15 days of notice. When the statement is amended in accordance with the order, the Secretary shall so declare and the order shall cease to be effective.

Subsection (e) empowers the Secretary to make an examination to determine whether an order should issue under subsection (d). For such purpose, the Secretary or his designee shall have access to and may demand production of books and papers of the developer, any agent, or any other person in respect to any matter relevant to the ex-

amination. If the developer or his agents fail to cooperate, the Secretary may by order suspend the statement of record.

Subsection (f) permits any notice required under this section to be sent to or served on the developer or his authorized agent.

#### INFORMATION REQUIRED IN PROPERTY REPORT

Subsection (a) of section 1308 provides that a property report shall contain any information in the statement of record and amendments to it that the Secretary deems necessary, as well as any other information prescribed under rules and regulations of the Secretary as necessary or appropriate. The property report need not include the documents referred to in paragraphs (7) to (11) of section 1306.

Subsection (b) requires that the property report not be used for any promotional purposes before the statement of record becomes effective and then only if used in its entirety. It prohibits any person from advertising or representing that the Secretary approves or recommends the subdivision. It further provides that no portion of the property report may be underscored, italicized, or printed in larger or bolder type than the rest of the statement unless required or permitted by the Secretary.

#### COOPERATION WITH STATE AUTHORITIES

Subsection (a) of section 1309 provides that the Secretary shall cooperate with State authorities responsible for regulating the sale of lots in subdivisions subject to the act. It permits the Secretary to accept for filing under, and declare effective as a statement of record, material filed with and found acceptable by such authorities.

Subsection (b) provides that nothing in the act shall affect the jurisdiction of any State real estate commission.

#### CIVIL LIABILITIES

Subsection (a) of section 1310 permits a person who has acquired from a developer or his agent a lot covered by a statement of record which, when it became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated and which was uncorrected at the time of acquisition, to sue the developer, unless it is proved that the purchaser knew of the untruth or omission at the time of acquisition.

Subsection (b) provides for suit against a developer or agent who sells or leases a lot: (1) In violation of section 4 (requiring a statement of record and a property report) or (2) by use of a property report containing an untrue statement of a material fact or omitting to state a material fact required to be stated.

Subsection (c) provides that a person suing under subsection (a) or (b) may recover damages measured by the difference between the amount paid for the lot and the cost of improvements to it and the lesser of the value of the lot together with improvements at the time suit was brought, or the price at which the lot was sold in a bona fide transaction either before suit was brought or after suit was brought but before judgment. The court may require an undertaking for the payment of costs, including attorney's fees. Costs for reasonable



expenses may be assessed against a party litigant if the court believes the suit or the defense was without merit. The assessment may reimburse for reasonable expenses.

Subsection (d) provides for contribution from any person who, if sued separately, would have been liable to make the same payment.

Subsection (e) provides that the amount recoverable under this section may not exceed the sum of the purchase price of the lot, the cost of improvements to it, and reasonable court costs.

#### COURT REVIEW OF ORDERS

Subsection (a) of section 1311 permits any person aggrieved by an order or determination of the Secretary, which was issued after a hearing, to obtain review in the U.S. court of appeals for the circuit in which the person resides or has his principal place of business or in the U.S. Court of Appeals for the District of Columbia. A written petition must be filed within 60 days of the entry of the order or determination. A copy of the petition must be transmitted to the Secretary, who must file with the court the record on which the order or determination was based. The court will not consider an objection unless it was first urged before the Secretary. His findings as to the facts shall be conclusive, if supported by evidence. On a proper showing by either party, the court may order additional evidence to be taken before the Secretary in a manner and on such terms and conditions as the court prescribes. The Secretary may modify his findings as to the facts based on additional evidence taken. The jurisdiction of the court shall be exclusive and its judgment and decree subject to review by the Supreme Court.

Subsection (b) provides that commencement of proceedings under subsection (a) will not stay the Secretary's order unless specifically ordered by the court.

#### LIMITATION OF ACTIONS

Section 1312 would bar the bringing of an action to enforce any liability created under section 1310(a) or (b)(2) unless it is brought within 1 year after discovery of the untrue statement or the omission or after the discovery should have been made. If the action is to enforce a liability established under section 1310(b)(1), it must be brought within 2 years after the violation upon which it is based. No action under the act may be brought more than 3 years after the sale or lease of the property.

#### CONTRARY STIPULATIONS VOID

Section 1313 provides that any condition, stipulation, or provision requiring a person to waive compliance with the act, or rules and regulations of the Secretary issued pursuant to it, shall be void.

#### ADDITIONAL REMEDIES

Section 1314 provides that rights and remedies under the act are in addition to other rights and remedies at law or equity.

## INVESTIGATIONS, INJUNCTIONS, AND PROSECUTION OF OFFENSES

Subsection (a) of section 1315 authorizes the Secretary, whenever it appears to him that a person is engaged or about to engage in acts or practices which violate the act or any rule or regulation prescribed pursuant to it, to bring an action in any U.S. District Court or the U.S. District Court for the District of Columbia to enjoin the prohibited acts or practices. Upon a proper showing, a permanent or temporary injunction or restraining order will be granted without bond. The Secretary is further authorized to transmit evidence concerning prohibited acts or practices to the Attorney General who may institute criminal proceedings.

Subsection (b) authorizes the Secretary to make investigations to determine if any person has violated or is about to violate the act or rules or regulations prescribed pursuant to it. The Secretary may require or permit a person to file a written statement, under oath or otherwise, as to all the facts and circumstances of the matter to be investigated. The Secretary may publish information concerning violations of the act. He may also investigate facts, conditions, practices, or matters he deems necessary or proper to aid in enforcement of the act, in prescribing rules and regulations, or in securing information to serve as a basis for recommending further legislation.

Subsection (c) empowers the Secretary or his designee to administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memorandums or other records relevant or material to an investigation or proceeding under the act. Attendance of witnesses and production of records may be required from any place in the United States or any State at any designated hearing place.

Subsection (d) provides that, in case of contumacy or refusal to answer a subpoena, the Secretary may invoke the aid of any court of the United States within whose jurisdiction the investigation or proceeding is carried on, or where the person whose cooperation is being sought resides or carries on business. The court may issue an order requiring the person to appear before the Secretary and produce records or to testify. Failure to obey the court order may be punished as contempt. Process may be served in the person's judicial district or wherever he may be found. Any person who without cause fails to attend, testify, or answer any lawful inquiry or to produce books, records, correspondence, memorandums and other records and documents subpoenaed, if in his power to do so, will be guilty of a misdemeanor and subject to a \$1,000 fine or imprisonment of up to 1 year, or both.

Subsection (e) provides that no person shall be excused from attending and testifying or producing the materials subpoenaed in any case or proceeding instituted by the Secretary on the ground that the testimony or evidence may tend to incriminate or subject him to a penalty or forfeiture. No such individual, however, shall be prosecuted or subjected to penalty or forfeiture if, after claiming his privilege against incrimination, he is compelled to testify or produce evidence, documentary or otherwise, except as to any perjury committed in so testifying.



## ADMINISTRATION

Subsection (a) of section 1316 vests authority and responsibility for administering the Act in the Secretary of Housing and Urban Development and gives him authority to delegate any functions, duties and powers under the act to employees of the Department or to boards of such employees. The persons to whom delegations are made as to hearing functions, duties, and powers are to be appointed and serve the Department in compliance with sections 3105, 3344, 5362, and 7521 of title 5 of the United States Code. This subsection also authorizes the Secretary to prescribe rights of appeal from decisions of the hearing examiners.

Subsection (b) requires that hearings be public and appropriate records be kept.

## UNLAWFUL REPRESENTATIONS

Section 1317 provides that the fact that a statement of record has been filed or is in effect does not constitute a finding by the Secretary that it is true and accurate on its face or that the Secretary has passed on the merits of or approved a subdivision. It makes it unlawful to make or cause any representation to be made to a prospective purchaser to the contrary to this.

## PENALTIES

Section 1318 establishes penalties for any person who willfully violates the provisions of the act, or rules and regulations issued pursuant to it, or who willfully makes an untrue statement of a material fact in a statement of record or property report or omits to state a material fact required to be included. It prescribes a fine of not more than \$5,000 or imprisonment for not more than 5 years, or both.

## RULES, REGULATIONS, AND ORDERS

Section 1319 authorizes the Secretary to make, issue, amend, and rescind rules, regulations and orders necessary or appropriate to the exercise of his functions and powers under the act. It permits the Secretary to classify persons and matters within his jurisdiction and prescribe different requirements for different classes of persons or matters.

## JURISDICTION OF OFFENSES AND SUITS

Section 1320 provides that the U.S. district courts and the U.S. District Court for the District of Columbia shall have jurisdiction of offenses and violations under the act and the rules and regulations prescribed pursuant to it. It provides these courts concurrent jurisdiction with State courts for all suits in equity or at law to enforce liabilities or duties created by this act. Suits may be brought in the district where the defendant is found, is an inhabitant, or transacts business, or where the offer or sale took place if the defendant participated in it. Process may be served in any other district where the defendant is an inhabitant or may be found. It prohibits removal of cases brought in State courts of competent jurisdiction to any court of

the United States, except when the United States or any officer or employee of the United States, in his official capacity, is a party. It also prohibits assessment of costs for or against the Secretary in any proceeding under the act.

#### APPROPRIATIONS

Section 1321 would authorize the appropriation of such funds as are needed to carry out the purposes of the act.

#### EFFECTIVE DATE

Section 1322 provides that the act shall be effective 180 days after enactment.

### **Title XIV—Ten-year Housing Program**

#### DECLARATION OF PURPOSE

Section 1401 of the bill declares that the national commitment made in the Housing Act of 1949 to the goal of "a decent home and a suitable living environment for every American family" can best be attained through a definite plan providing for the effective utilization of available resources and capabilities existing in both the public and private sectors of the economy over a fixed period of 10 years.

This statement and finding by Congress would be in furtherance of the policy declared in 1949 and would bring it more into current focus by stressing the need for housing goals in the immediate future as well as for a plan by which they may be brought to public realization. Such a legislative pronouncement would also be in line with the recent proposal by the President to construct 6 million federally assisted housing units for low and moderate income families over the next 10 years.

#### REPORT OUTLINING PLAN

Section 1402 of the bill would require the President to make a report to Congress on or before January 15, 1969, setting forth a 10-year plan covering the period June 30, 1968, to June 30, 1978. This plan would contain the number of units anticipated in both the Government-assisted and the conventional markets for each of the 10 years, together with a statement of what reduction in substandard units is expected, an estimate of costs in the various Federal programs for legislative action. The report would also include an estimate of residential mortgage market needs, including availability and flow of mortgage funds, for the coming year, and such other data and recommendations as are deemed pertinent.

#### PERIODIC REPORTS

Section 1403 of the bill would require annual reports by the President on January 15 of each year, which reports would compare the results for the previous year with the goals set forth in the plan for that year. These annual reports would be required to give reasons for not meeting objectives, if that be the case, and would also set forth



any revised objectives as would be necessary, together with an estimate of the availability and flow of mortgage funds. The annual reports would also provide an analysis of the monetary and fiscal policies for the coming calendar year required to carry out the objectives of the plan, and could contain such further legislative recommendations as deemed appropriate by the President.

#### FINAL REPORT

Section 1404 of the bill would provide for a final report by the President on January 15, 1979, showing in detail the success or failure of the plan and an analysis of the reasons therefor.

The committee believes that there should be unification toward national housing objectives among the several departments and agencies of the Federal Government. While the Department of Housing and Urban Development is primarily involved in this subject, both the Department of Agriculture and the Veterans' Administration have direct contact with the public regarding it. The operations of the Federal Reserve Board respecting the flow of credit and the volume of borrowings permitted through the Federal Home Loan Bank Board, as well as the marketing and purchasing prices and policies of the Federal National Mortgage Association should not be determined or conducted without a view toward achieving some minimum volume of housing production consistent with the need for both housing and general economic stability.

It is the view of the committee that the stating in definite terms of annual minimum housing goals with this added requirement of giving specific reasons in case they are not met, can do much toward achievement of the volume and stability of housing production that is so essential to the orderly growth of the country.

### Title XV—Miscellaneous

#### MODEL CITIES

Section 1501 of the bill would authorize appropriation of \$12 million for planning grants and technical assistance for comprehensive model cities programs in fiscal year 1969. It would also authorize appropriation of \$1 billion for fiscal year 1970 for supplementary grants and for other purposes under the model cities program. It would further provide that any amounts authorized for the model cities program but not appropriated may be appropriated in any succeeding fiscal year.

The model cities legislation, enacted in 1966, provided authorizations for appropriation for planning and technical assistance grants for fiscal years 1967 and 1968. These funds are expended through technical assistance and 80 percent planning grants in advance of financial assistance to approved model city programs. Planning grants are designed to assist cities in their planning and preparation for comprehensive programs. The committee feels that in the interest of continuity and advance planning, this authorization should be continued at the same level for an additional year so that the program may continue without interruption.

The current authorization of \$500 million for supplemental grants, relocation grants, technical assistance and 80 percent grants for administrative expenses expires at the end of fiscal year 1969. In order to assure the availability of sufficient funds for the action programs of the model cities, this section authorizes the appropriation of \$1 billion for fiscal year 1970. This authorization will provide the grant funds needed for the model cities' program and affirm the continuing Federal commitment to support the efforts of the participating cities to eliminate the social and physical deterioration which they have recognized but cannot cure without increased Federal assistance.

#### URBAN RENEWAL DEMONSTRATION GRANT PROGRAM

Section 1502 of the bill would amend section 314 of the Housing Act of 1954 which provides for Federal grant assistance for developing, testing, and reporting methods and techniques and carrying out demonstrations and other activities for the prevention of slums and urban blight. This amendment would expand the program provided under section 314 by permitting grants to be made to nonprofit organizations as well as to public bodies; by increasing the maximum level of Federal assistance for a demonstration project from two-thirds to 90 percent; and by increasing the amount of funds available to the program from \$10 million to \$20 million. It also provides that when a demonstration project is to be carried out by a nonprofit organization, the activities and undertakings assisted under section 314 are not to be inconsistent with the program of the interested local public agency for the locality directly involved. The committee believes that a nonprofit group receiving a grant should coordinate its plans with the local authorities.

The committee feels that the urban renewal demonstration program has proved invaluable in providing a means for exploring new approaches in dealing with the problems of slums and urban blight. By providing funds which can be focused on a particular aspect of the problem or on a particular new approach, it has been possible to achieve new insights which a local urban renewal agency could not normally achieve as part of its regular activities of dealing with these problems.

As the achievements of this program indicate, it is a necessary element in the Federal Government's arsenal of weapons to deal with the problems of slum and blight. However, the flexibility of the program has been limited by the present requirements that grants may only be made to public bodies and that the grant cannot exceed two-thirds of the cost of carrying out the demonstration.

Although the committee considered an increase in the maximum level of Federal assistance from two-thirds to 100 percent of the cost of a demonstration project, it feels that an increase in this level to 90 percent will best contribute to the most effective utilization of this program by the participating nonprofit organizations and public bodies.

The present authorization is expected to be exhausted by the middle of fiscal year 1969. Yet, the renewal program is becoming more complex as additional private, as well as public, resources are devoted to



slum prevention and elimination. As new problems are identified, new approaches must be devised to meet them. The increase in authorization would enable this program to continue to meet these needs.

#### AUTHORIZATION FOR URBAN INFORMATION AND TECHNICAL ASSISTANCE SERVICES PROGRAM

Section 1503 of the bill would authorize appropriation of not to exceed \$5 million for fiscal year 1969 and not to exceed \$15 million for the fiscal year ending June 30, 1970, to carry out the purposes of the title IX program. Under this program matching grants are made to States to help them provide urban information and technical assistance services to communities of less than 100,000 persons. This program was authorized in the Demonstration Cities and Metropolitan Development Act of 1966.

The present authorization for the program expires with the current fiscal year. The committee feels that the continuation of the title IX program would make a substantial contribution to encouraging State involvement in urban affairs by helping the States to provide the advisory and information services which small communities need but so often cannot afford.

This program can provide a network of compatible and coordinated State urban information systems which would facilitate information exchanges at various levels of government. It can also harness information collection and retrieval technology so that data that has been collected can be used for solving similar problems.

#### ADVANCES IN TECHNOLOGY IN HOUSING AND URBAN DEVELOPMENT

Section 1504 of the bill authorizes the appropriation of such amounts as may be necessary to continue the advances in technology in housing and urban development programs authorized by section 1010 of the Demonstration Cities and Metropolitan Development Act of 1966. The present authorization expires at the end of this fiscal year.

This section would also permit the letting of research contracts for periods of up to 4 years instead of the present authorized 2-year period.

This program is designed to test and demonstrate new and improved techniques and methods of applying technological advances to housing construction, rehabilitation, and maintenance and to urban development activities. It directs the Secretary of HUD to encourage and promote acceptance and application of modern techniques by all segments of the housing industry. It does not involve basic research. Rather, it is intended to encourage application of existing advances in technology created by private research and development efforts so as to assist industry in reducing the costs and improving the quality of housing construction.

Authorization of appropriations in such amounts as required will permit the program to be responsive to the need to test, demonstrate, and encourage the use of continuing technological advances. In addition, in order to accomplish effectively the program's goals, the Secretary would be given discretion to enter into contracts for up to a 4-year period. In many cases, 2 years is not adequate to test fully and demonstrate a new advance in technology.

## COLLEGE HOUSING

Section 1505 of the bill would amend title IV of the Housing Act of 1950 by adding to the existing college housing direct loan program a new program to provide additional Federal assistance for college housing and related facilities through a program of annual debt service grants. The new grant program would be used to reduce the borrower's annual debt service payments on private market loans to the average annual debt service that would have been required if the loan was based on the rate charged on loans under the direct loan program. This Federal rate is presently 3 percent. The combination of the direct loan program, supplemented by the maximum program level in authorized annual debt service grants, should provide Federal financial assistance for annual construction that is several times as large as the direct loan program alone.

Annual grants to an educational institution with respect to any project could be made over a fixed period up to 40 years. The total amount of annual grants contracted to be made could not exceed \$10 million and this amount would be increased by an additional \$10 million on July 1, 1969.

The committee has found that there is a need for vast increases in student housing to meet future enrollment increases; to alleviate overcrowding resulting from past enrollments; to make a dent on the deferred rehabilitation and replacement of inadequate existing housing; and to assure that no worthy student is denied admission because housing space is not available. It appears, however, that the majority of higher educational institutions, and especially the public institutions which cannot resist expansion without decreasing public education expectations, cannot provide housing at reasonable cost to most students if they have to bear the total cost of private market borrowing. The availability of adequate financial assistance will alleviate this problem and should generate effective action by colleges and universities which have been discouraged because direct Federal loans are meeting only a fraction of the demand. This problem has been aggravated because private market interest rates have increased substantially.

The lack of adequate housing may be the bottleneck in meeting our growing higher educational needs, since the relative expansion capacity of academic facilities cannot be fully utilized without available student housing at the lowest possible cost to users of the housing facilities. The combined program of direct loans plus annual grants should go far in helping to meet the need for student housing, dining facilities, student centers or unions, and related service facilities. The need may be even greater than anticipated when returning Vietnam veterans take advantage of their GI educational benefits.

The new program of annual grants, which would be made on the basis of the same maximum development cost as for direct loans, would be used primarily to reduce the net borrowing cost for those institutions that can make long-term loans in the private market at a reasonable cost. Direct loans would generally be made to those institutions which cannot borrow all or part of their funds in the private market at reasonable interest rates. Thus, it is possible that an insti-



tution could receive a direct loan for part of its borrowing needs to cover late maturities on which no private market bids are made, and could receive annual grants applicable only to its private market loan for the shorter maturities. It is anticipated that the annual Federal grants to reduce net interest costs, coupled with the advantages inherent in the Federal tax exemption privilege enjoyed by public institutions, will enhance the security of these borrowers so that many which have not had favorable market acceptability in the past will be able to make long-term loans at lower net interest rates.

The new grant program is subject to the restriction now applicable to direct loans to the effect that the related "construction will be undertaken in an economical manner, and that it is not or will not be of elaborate or extravagant design or materials." This will preclude financial assistance in the future, as it has in the past, for the minority of student housing which exceeds this limitation.

While the committee believes that this additional method of financing the college housing program will be very helpful, it further believes that colleges, when borrowing in the private market, should obtain loans at the lowest cost possible. The committee therefore expects the Secretary of HUD to promulgate such rules and regulations as are necessary to assure that colleges are obtaining loans at the lowest interest rates available so that the Federal subsidy will be held to a minimum.

#### FEDERAL-STATE TRAINING PROGRAMS

Section 1506 of the bill would provide for extending the program of matching grants authorized under title VIII of the Housing Act of 1964 to permit grants to States for the training of subprofessional and technical personnel as well as professional persons and would permit persons employed or in training to be employed by private nonprofit organizations involved in housing and community development programs to be eligible for this training assistance. The programs which would be authorized for assistance under this amendment could be carried out by the State in cooperation with business firms, labor unions, and other interested organizations as well as universities and urban centers.

The amendment would also allow grant assistance to be extended to Guam, American Samoa, and the Trust Territory of the Pacific in order to further meet the needs of these areas for trained and capable housing and community development technical and professional personnel.

These changes could enable the States to undertake training programs of a broader scope to deal with the ever-present problem of insufficient personnel available to administer and work in programs relating to community development and housing. With the added emphasis, set out in this bill, on attacking the problem in these areas confronting the Nation, all the personnel, for employment by both public and nonprofit bodies, that can be trained will be needed.

#### ADDITIONAL ASSISTANT SECRETARY OF HOUSING AND URBAN DEVELOPMENT

Section 1507 of the bill would authorize the appointment of an additional Assistant Secretary in the Department of Housing and Urban

Development. Although the Secretary could utilize this position in carrying out any of the statutory responsibilities of the Department, this Assistant Secretary would serve as the Secretary's principal assistant in providing leadership in organizing an effective, Government-wide, urban-oriented research and development program to foster innovation in the field of housing and urban affairs. He would also provide engineering and technical advice to the Office of the Secretary and to other assistant secretaries, as appropriate, and he would plan, organize, and administer the departmental research and development program.

The addition of this Assistant Secretary position in the Department's organization would be in accord with the increased importance of research and development in the Department since it was established in 1965.

#### INTERNATIONAL HOUSING

Section 1508 of the bill would rewrite section 604 of the Housing Act of 1957 to clarify the authority of the Secretary of HUD to exchange data relating to housing and urban development with other countries, or assemble such data where the data would be beneficial in carrying out his responsibilities. This authority does not exclude or limit in any way the authority of other departments and agencies of the U.S. Government to exchange and assemble data and carry out all other activities of the same type and in the same manner as authorized by this amendment.

The section would also clarify the Department's authority to employ private persons to participate in the various intergovernmental or international meetings that the Department attends or sponsors. In addition, the section would provide express authority for the Department to accept funds or other donations from international organizations, foreign countries and private foundations in connection with activities carried on by the Department under section 604, and which benefit such organizations. For example, a conference sponsored by the Department may involve administrative expenses which should properly be shared by those private foundations which participate in such activities. The intent of the amendment is not to provide for subsidizing the Department's activities, but to facilitate proper cost sharing.

#### LOW-RENT PUBLIC HOUSING—CORPORATE STATUS

Section 1509 of the bill would repeal obsolete provisions of the U.S. Housing Act of 1937 and amend the Government Corporation Control Act to delete reference to the Federal Public Housing Authority (and U.S. Housing Authority). When the U.S. Housing Act of 1937 was first enacted, there was established a special corporation known as the U.S. Housing Authority to perform the Federal low-rent housing functions. The Authority was capitalized with \$1 million of capital stock provided by the Treasury. Under the Department of Housing and Urban Development Act, all functions of the corporation were vested in the Secretary of the Department. The corporate status, capital stock, and the \$1 million provided by the Treasury now serve no purpose. This section would accordingly repeal the provisions concerning corporate status and return the \$1 million to the Treasury.



Saving provisions provide for continued auditing by the General Accounting Office of separate accounts maintained with respect to the functions under the 1937 act.

#### ELIGIBILITY FOR RENT SUPPLEMENT PAYMENTS

Section 1510 of the bill would extend eligibility to participate in the rent supplement program, under section 101 of the Housing and Urban Development Act of 1965, to two projects located in Harlem in New York City. The projects are presently receiving supplement payments on an experimental basis for a short fixed term as part of a joint undertaking by the Office of Economic Opportunity, the New York City Rent and Rehabilitation Administration, and the Department of Housing and Urban Development to show how a combination of improved housing, job training, and social services would work to increase the income producing capacity of low-income tenants living in the area. The projects (which were a single project at the time) were approved for mortgage insurance under the section 221(d)(3) below-market interest rate program on April 15, 1965, shortly before enactment of the Housing and Urban Development Act of 1965, on August 10, 1965, and therefore are presently ineligible for rent supplement assistance.

The projects involved are located on 114th Street between Seventh and Eighth Avenues, and include 37 old-law tenement buildings which are being extensively rehabilitated to provide good housing for approximately 1,600 individuals in 450 family units. The rehabilitation is expected to be completed on all units this June (1968).

Limitations in its statutory authority restrict the OEO supplement payments to a short term which will end in the early part of fiscal year 1970. These payments range from \$20 to \$60 a month.

Many of the low-income residents of these projects will not experience the improvement in income needed to dispense with rent supplement payments within the brief period permitted under the present supplement arrangement. Unless the benefits of the rent supplement program are applied to these projects, many of the low-income residents will be forced to move out when the present short-term assistance expires. The objective of the undertaking would be seriously impaired if regular rent supplement coverage is not made available after the short-term assistance ends.

The committee believes that these two projects are exceptional cases and understands that there are no similar cases which would need such specific treatment in the future.

#### CONSOLIDATIONS OF LOW-RENT PUBLIC HOUSING PROJECTS IN THE DISTRICT OF COLUMBIA

Section 1511 of the bill would allow the National Capital Housing Authority in Washington, D.C., to consolidate, pursuant to section 15(6) of the United States Housing Act of 1937, into its annual contributions contract for its 8,423 units of low-rent housing under title II of the District of Columbia Alley Dwelling Act, the operating income and operating expense accounts for its 72 units of low-rent housing under title I of such act.

Title I governs low-rent public housing provided prior to the enactment of the United States Housing Act of 1937, whereas title II governs low-rent public housing on the same basis as projects established in other cities pursuant to the 1937 act.

The proposed consolidation would enable the NCHA to merge its title I operating accounts with its title II accounts. Since there is no capital debt applicable to the title I projects there would be no increase in the fixed annual contribution for which the Government is obligated under the annual contributions contract applicable to the title II projects.

This consolidation would allow the NCHA to draw upon its general reserves to meet the needs of the title I units. There are no reserves available to NCHA for these units because, under the previous method of funding this program, all receipts in excess of annual operating expenses were covered into the Treasury as miscellaneous receipts. Without such reserves, NCHA has to depend upon its annual operating income from these units to fund any major repairs or modernization work that the units might need. At the present time, the 72 title I units are in fact being managed and operated as part of the total low-rent housing supply of NCHA; the financial impact of consolidation would hardly be noticeable; almost three-fourths of all the title I expenses are already in fact being determined in the same way as if the projects were consolidated; and consolidation would lead to substantial administrative savings resulting from the elimination of separate accounting procedures for these projects.

The result of the proposed consolidation would be analogous to the situation which exists in many other communities where the local authorities are operating permanent PWA or Lanham Act (World War II) projects which were federally built and paid for and which are being operated under consolidated contracts by the local authorities.

#### URBAN RENEWAL PROJECT IN GARDEN CITY, MICH.

Section 1512 of the bill would require that the costs in connection with the construction of the Florence Primary School located within the Cherry Hill urban renewal project (Michigan R-46) in Garden City be counted as a local grant-in-aid to the project without regard to the date of commencement of construction. Through an inadvertence on the part of both the city and the Federal Government, the contract for a loan and capital grant for the Cherry Hill project was authorized 4 days too late to qualify the school for credit. This fact was not discovered until the project was completed, and local and Federal officials had believed all along that the school was eligible for credit. The committee feels that this is a very exceptional case.

#### URBAN RENEWAL PROJECT IN SACRAMENTO, CALIF.

Section 1513 of the bill would require that costs in connection with the construction of a storm drainage system located within the Capitol Mall Riverfront urban renewal project (California R-67) in Sacramento, Calif., be counted as a local grant-in-aid to the project without



regard to the date of commencement of construction. The Redevelopment Agency of Sacramento filed a timely urban renewal application and under ordinary circumstances the expenditures made for the construction of the storm drainage system could have been counted as a local grant-in-aid. However, because of California's "proposition 14," the Department of HUD (then the Housing and Home Finance Agency) withheld approval of all California applications until proposition 14 was declared unconstitutional by the State supreme court. By the time this was done, the 3-year statutory requirement for counting this expenditure as a local grant-in-aid had expired. Since the approval of this particular application was held up by Federal officials, the committee believes that this is an exceptional case and that Sacramento should be allowed credit for the construction of the storm drainage system.

#### SELF-HELP STUDIES

Section 1514 of the bill would amend section 207 of the Housing Act of 1961, which authorizes grants for the purpose of developing and demonstrating new or improved means of providing housing for low-income persons and families, to make it clear that such grants may be made for the purpose of studying self-help by low-income persons in constructing, rehabilitating, and maintaining housing for themselves and the methods of selecting, involving, and directing such persons in self-help activities.

The Secretary of Housing and Urban Development would be directed to make a report to Congress, within 1 year after the date of enactment of this act, setting forth the results of the self-help studies and demonstrations carried out under section 207 together with such recommendations as he deems appropriate.

#### EARTHQUAKE STUDY

Section 1515 of the bill would amend section 5 of the Southeast Hurricane Disaster Relief Act of 1965 by extending the date the Secretary of HUD is required to report his findings and recommendations on earthquake insurance from October 31, 1968, to June 30, 1969.

An extension of time for this study would allow the Secretary to present a more complete and conclusive report to the Congress. In conducting studies such as this, it is necessary to collect and analyze great quantities of raw data and the number of qualified professionals available for such work is very limited.

#### TECHNICAL AMENDMENTS

Section 1516(a) amends section 110(c) of the Housing Act of 1949 to make it clear that urban renewal project funds can be used for "the restoration of acquired properties of historical or architectural value."

Section 1516(b) amends section 110(d) of the Housing Act of 1949 to make it clear that grant-in-aid credit can be given for expenditures by a public body for the construction of foundations and platforms on air rights sites in urban renewal projects to the same extent that such work could now be done with project funds.

Section 1516(c) amends section 110(e) of the Housing Act of 1949 to make it clear that the restoration of historic properties can be carried out as an urban renewal project cost for those projects approved for three-fourths Federal grant assistance on a limited project cost basis. This clarification would naturally permit such expenditures to be included in existing, uncompleted projects, as well as those projects started after enactment of the bill.

Section 1516(d) amends section 1101(c) (3) of the National Housing Act to permit amortization of the mortgage term under the medical group practice facilities program to commence after completion of construction of the facility rather than at the time the mortgage is executed.

Section 1516(e) amends section 213(o) of the National Housing Act to clarify the authority of the Secretary to invest all moneys, not currently needed for the operation of the cooperative management housing insurance fund, in Government bonds or obligations, or in the purchase on the open market of debentures which are the obligation of the fund.

Section 1516(f) amends section 810(e) of the National Housing Act to permit an individual, who is approved by the Secretary, to be a mortgagor under the FHA section 810 housing program for military personnel or employees or personnel of NASA or AEC research or development installations.

#### HOME OWNERS' LOAN ACT OF 1933

Section 1517(a) (1) of the bill would authorize Federal savings and loan associations to invest in time deposits or certificates of deposit in banks insured by the Federal Deposit Insurance Corporation under regulations issued by the Federal Home Loan Bank Board. When the basic statute which authorizes the chartering of Federal savings and loan associations was drafted more than 30 years ago, time deposits were not in general use in the country as a whole. Therefore, at that time, there was no reason to provide Federal associations with authority to make such investments. Recently, time deposits issued by banks have become attractive short-term investments and the committee sees no reasons to deny Federal savings and loan associations the authority to take advantage of this investment opportunity.

Section 1517(a) (2) of the bill would amend that part of section 5(c) of the Home Owners' Loan Act of 1933 permitting a Federal savings and loan association to invest not over 1 percent of its assets in loans guaranteed by the President under section 224 of the Foreign Assistance Act of 1961, as amended. Such guarantees are authorized on loans which may be either for certain types of housing or for credit institutions engaged directly or indirectly in financing home mortgages. Section 221 of the Foreign Assistance Act of 1961 authorizes loan guarantees for housing projects and for other purposes in any friendly less-developed country.

The present section of this bill would not increase the 1 percent limitation now in section 5(c) of the Home Owners' Loan Act of 1933 but would add authority permitting such 1 percent to be used for



investments in housing project loans having the benefit of any guarantee under section 221 of the Foreign Assistance Act of 1961. The amendment would provide statutory authority for loans by Federal savings and loan associations to aid in the fostering of homeownership not only in Latin American countries but also in other developing nations which may have equal need for such aid.

Section 1517(b) of the bill would amend that provision of section 5(c) of the Home Owners' Loan Act of 1933 which authorizes a Federal savings and loan association to make loans for "property alteration, repair or improvement" without conforming to the first-lien requirements of the act. The amendment would remove any doubt that such loans may be made for the construction of new buildings related to residential use of the property, such as, for example, vacation homes. The existing 20 percent of assets limitation and the \$5,000 loan limitation would remain unchanged.

Section 1517(c) of the bill would amend the Home Owners' Loan Act to authorize a Federal savings and loan association to invest in loans to federally supervised financial institutions secured by investments in which the association has any statutory authority to invest directly. Under existing law, Federal savings and loan associations may purchase Government obligations but they may not lend on the security of such obligations. This amendment would permit any Federal association to use its excess cash to make loans to federally supervised financial institutions on the security of Government obligations.

#### FEDERAL HOME LOAN BANK ACT

Section 1518 of the bill would amend section 12 of the Federal Home Loan Bank Act to authorize any Federal home loan bank to acquire loans guaranteed under section 224 of the Foreign Assistance Act of 1961 or housing project loans guaranteed under section 221 of that act and to sell participations therein to any member of a Federal home loan bank desiring to participate in such investments. The authority granted by this section of the bill would be subject to regulation by the Federal Home Loan Bank Board.

Under existing law, a Federal savings and loan association is authorized to invest not over 1 percent of its assets in loans guaranteed under section 224 of the Foreign Assistance Act of 1961. Such loans relate to housing projects in Latin America and may be either for certain types of housing or for credit institutions engaged directly or indirectly in financing home mortgages. This authority would be expanded by section 1517(a)(2) of the Housing and Urban Development Act of 1968 to permit such associations, within the 1 percent limitation, to acquire and hold investments in housing project loans guaranteed under section 221 of the Foreign Assistance Act of 1961 in developing nations throughout the world.

For administrative reasons the minimum loan guaranteed under these programs is \$1 million, a loan too large for many savings and loan associations to make independently. The purpose of this provision of the bill is to permit a Federal home loan bank to make or purchase a loan eligible for investment by a Federal savings and loan association and guaranteed under the Foreign Assistance Act of 1961 and sell

participations therein to any member of a bank, thus permitting small associations to participate in these guaranteed loan programs.

This amendment would not affect the right of any association to invest independently in such guaranteed loans without utilizing the facilities of a Federal home loan bank.

#### FEDERAL RESERVE ACT

Section 1519 of the bill amends section 24 of the Federal Reserve Act to authorize construction loans up to 36 months in length as an exception to the limitation on real estate loans. (Under existing law, such construction loans may not exceed 24 months.)



## SECTION-BY-SECTION SUMMARY

*Section 1.*—Provides that the bill shall be cited as the “Housing and Urban Development Act of 1968.”

*Section 2.*—States the declaration of policy of the bill.

*Section 3.*—Provides that in administering programs authorized by sections 221(d)(3), 235, and 236 of the National Housing Act; the low-rent public housing program of the U.S. Housing Act of 1937; and section 101 of the Housing and Urban Development Act of 1965, the Secretary of the Housing and Urban Development shall require, to the greatest extent feasible, opportunities for employment arising in connection with construction or rehabilitation of housing assisted under such programs be given to lower income persons residing in the area of such housing.

### TITLE I—LOWER INCOME HOUSING

#### HOMEOWNERSHIP FOR LOWER INCOME FAMILIES

*Section 101.*—Adds a new section 235 to title II of the National Housing Act to establish a mortgage insurance program based on an interest rate subsidy to provide homeownership for lower income families. The interest rate subsidy payment which would be paid by the Secretary of the Housing and Urban Development to the mortgagee could not exceed the lesser of: (a) The difference between the monthly payment for principal, interest, and mortgage insurance premium for a market rate mortgage, and the amount the monthly payment would be for principal and interest with a 1-percent mortgage, or (b) the difference between 20 percent of the mortgagor's monthly income and the monthly payment under the mortgage. The subsidy payment would be available to a purchaser having an income not in excess of 70 percent of the limits prescribed for eligibility to occupy projects financed under the FHA section 221(d)(3) below-market interest rate program, except that 20 percent of the contract funds could be used to assist families with incomes above these limits. For each minor child in the household, \$300 would be deducted from family income. The interest subsidy payment would decrease as the homeowner's income rises.

The subsidy payment could only be made with respect to new or rehabilitated housing meeting the requirements of the FHA section 221(d)(2) sales housing program, the 234 condominium program, the 213 cooperative program, or section 221(h) as incorporated into the new section with some modifications. However, during the first 3 years after enactment assistance payments could be made with respect to existing housing as follows: 25 percent of the contract funds authorized by appropriation acts in the first year; 15 percent of the contract funds authorized in the second year; 10 percent of the contract funds authorized in the third year. In addition, payments could be made with respect to existing housing for displaced families, families with five

or more minors, or families living in public housing, as well as for families who purchase dwelling units released from the project mortgage for a 236 project or a rent supplement project. The maximum mortgage under the program would be \$15,000 (\$17,500 in high-cost areas), but each limit would be increased by \$2,500 for families of five or more persons. The section 221(d)(2) mortgage ceilings would be raised to the same level. Counseling services are authorized.

This section also authorizes contract authority subject to appropriations acts to finance the program in the following manner: \$75 million annually prior to July 1, 1969, which amount may be increased by \$100 million on July 1, 1969, and by an additional \$125 million on July 1, 1970.

#### CREDIT ASSISTANCE

*Section 102.*—Adds a new section 237 to title II of the National Housing Act to authorize mortgage insurance for families of low and moderate income who cannot qualify for mortgage insurance under existing FHA programs because of their credit histories or irregular income patterns, but who the Secretary finds are “reasonably satisfactory” credit risks and capable of homeownership with the assistance of budget, debt management, and related counseling provided by the Secretary. Mortgage insurance under this program would have to meet the requirements (other than credit and income requirements) under certain existing FHA single-family sales programs, except that the principal obligation of the mortgage could not exceed \$15,000 (\$17,500 in high-cost areas) and the mortgagor could not undertake a mortgage which, in combination with local real estate taxes, required monthly payments for principal and interest which exceeds 25 percent of the mortgagor’s income. The amount of insurance under this section is limited to \$200 million outstanding at any one time.

#### RELAXATION OF MORTGAGE INSURANCE REQUIREMENTS IN CERTAIN URBAN NEIGHBORHOODS

*Section 103.*—Amends section 223 of the National Housing Act by adding a new subsection (e) to give FHA a more flexible authority in providing financing for the repair, rehabilitation, construction, or purchase of properties located in older, declining urban areas by authorizing FHA to accept for insurance mortgages on properties which may not, because of the areas in which they are located, be able to meet all the normal eligibility requirements for insurance. Permits such mortgages to be accepted for insurance where FHA is able to establish that the areas are reasonably viable, giving consideration to the need for providing adequate housing for families of low and moderate income in such areas and that the properties are an acceptable risk in view of such consideration.

#### SPECIAL RISK INSURANCE FUND

*Section 104.*—Adds a new section 238 to title II of the National Housing Act to establish a “Special Risk Insurance Fund,” which fund is not intended to be actuarially sound and out of which claims would be paid on mortgages insured under sections 101 (home-



ownership assistance), 102 (credit assistance), 103 (properties in older, declining urban areas) and 201 (rental and cooperative housing for lower income families) of this bill. Payments on claims would be made in cash or debentures. Income such as insurance premiums and service charges in connection with these programs would be deposited in the new fund. Authorizes \$5 million advance from general insurance fund to establish new fund, which is repayable and authorizes appropriations when necessary to supplement and maintain adequacy of the new fund.

#### CONDOMINIUM AND COOPERATIVE OWNERSHIP FOR LOW AND MODERATE INCOME FAMILIES

*Section 105.*—Amends section 221 of the National Housing Act by adding new subsections (i) and (j) to permit section 221(d)(3) below-market interest rate rental projects: (1) To be converted to condominium ownership; or (2) to be converted to cooperative ownership. Families purchasing condominium or cooperative units would be generally required to meet income limits established for occupancy under the 221(d)(3) below-market interest rate program.

#### ASSISTANCE TO NONPROFIT SPONSORS FOR LOW AND MODERATE INCOME HOUSING

*Section 106.*—Establishes a new program within HUD under which the Secretary may provide technical assistance to nonprofit sponsors of low and moderate income housing. Also authorizes the Secretary to make non-interest-bearing loans to nonprofit organizations for financing up to 80 percent of preconstruction costs in connection with federally assisted low and moderate income housing projects. These loans could cover such preconstruction items as architectural fees, land options, and engineering surveys. A revolving fund would be established, with \$7.5 million authorized the first year and \$10 million the second year.

#### INSURANCE PROTECTION FOR HOMEOWNERS

*Section 107.*—Authorizes the Secretary of HUD, in cooperation with the private insurance industry, to develop a plan for establishing an insurance program to enable homeowners to meet their monthly mortgage payments in time of personal economic adversity. Also directs the Secretary to make a report on his actions along with his recommendation for establishing such a program within 6 months following enactment of this act.

#### NATIONAL ADVISORY COMMISSION ON LOW-INCOME HOUSING

*Section 108.*—Establishes a National Advisory Commission on Low-Income Housing to undertake a comprehensive study and investigation of the resources and capabilities in the public and private sectors of the economy which may be used to fulfill more completely the objectives of the national goal of "a decent home and suitable living environment for every American family," particularly as such goal relates to low-income families. The Commission is directed to submit

to the President and the Congress an interim report with respect to its findings and recommendations not later than July 1, 1969, and a final report not later than July 1, 1970.

#### NATIONAL HOMEOWNERSHIP FOUNDATION

*Section 109.*—Creates a National Homeownership Foundation, the purpose of which would be to provide technical and limited financial assistance to public and private organizations which have as their purpose providing increased homeownership and housing opportunities for lower income families. The Foundation, which would be a Government-chartered nonprofit private corporation, would be administered by a Board consisting of 18 members, 15 of whom would be appointed by the President with the advice and consent of the Senate. The remaining three members would be the Secretary of Housing and Urban Development, Secretary of Agriculture, and the Director of the Office of Economic Opportunity. The Foundation would also be authorized an appropriation of \$10 million to be used in carrying out its prescribed functions.

### TITLE II—RENTAL HOUSING FOR LOWER INCOME FAMILIES

#### PART A—PRIVATE HOUSING

##### RENTAL AND COOPERATIVE HOUSING FOR LOWER INCOME FAMILIES

*Section 201.*—Adds a new section 236 to title II of the National Housing Act to provide rental and cooperative housing for lower income families. Mortgages insured under section 236 would carry a market interest rate, but the Secretary of HUD would pay to the mortgagee on behalf of the mortgagor an amount equal to the difference between the monthly payment for principal, interest, and mortgage insurance premium at the market rate and the monthly payment for principal and interest at 1 percent. Occupants, however, would pay 25 percent of their income as rent up to the full market rental. The sponsor would reimburse the Secretary for that part of rent receipts in excess of the amount which would be required under 1-percent financing, and this amount could be used to make other interest reduction payments. Occupancy of assisted projects would be available only to tenants whose incomes are not in excess of 70 percent of the limits prescribed for eligibility under the section 221(d)(3) below-market interest rate program, except that 20 percent of contract funds could be used with respect to families with incomes above these limits. For each minor child in the household, \$300 would be deducted from family income. Section 221(d)(3) BMIR mortgages (prior to final endorsement) and section 202 housing for the elderly mortgages (up to, or a reasonable time thereafter, project completion) could be refinanced under this program.

Contracts for interest reduction payments subject to approval in appropriations acts would be authorized in the following amounts: \$75 million annually prior to July 1, 1969, which amount may be increased by \$100 million on July 1, 1969, and by \$125 million on July 1, 1970.



## RENT SUPPLEMENT PROGRAM

*Section 202.*—Amends section 101 of the Housing and Urban Development Act of 1965 to increase the appropriation authority for the rent supplement program by \$40 million for fiscal year 1970 and \$100 million for fiscal year 1971. Also authorizes State or locally assisted rent supplement benefits.

## PART B—LOW-RENT PUBLIC HOUSING

## INCREASED LOW-RENT PUBLIC HOUSING AUTHORIZATION

*Section 203.*—Amends section 10(e) of the U.S. Housing Act of 1937 to increase the annual contribution contract authority by \$100 million on enactment and by \$150 million for each of fiscal years 1970 and 1971.

## UPGRADING MANAGEMENT AND SERVICES IN PUBLIC HOUSING PROJECTS

*Section 204.*—Amends section 15 of the U.S. Housing Act of 1937 to authorize the Secretary of HUD to enter into grant contracts with local housing authorities to assist them in upgrading their management activities and to provide tenant services to families occupying public housing. Authorizes appropriation of \$20 million in fiscal year 1969 and \$40 million in fiscal year 1970 for such contracts.

## PURCHASE OF UNITS BY TENANTS

*Section 205.*—Amends section 15(9) of U.S. Housing Act of 1937 to broaden existing law to permit local housing authorities to sell *any* low-rent housing units to tenants if such units are suitable for individual ownership. (Existing law permits tenants to purchase *only* detached or semidetached units.)

## PUBLIC HOUSING IN INDIAN AREAS

*Section 206.*—Amends section 1 of U.S. Housing Act of 1937 to permit public housing assistance for Indian families living in rural farm areas. (Existing law limits public housing assistance to urban and rural nonfarm areas.)

## TITLE III—FEDERAL HOUSING ADMINISTRATION INSURANCE OPERATIONS

## MORTGAGE INSURANCE PREMIUMS FOR SERVICEMEN AND THEIR WIDOWS

*Section 301.*—Amends section 222 of the National Housing Act to permit payment of FHA insurance premium by the Secretaries of Defense and Transportation for servicemen who assume a mortgage previously insured under any other provision of the National Housing Act. Also requires Secretaries to continue premium payment after serviceman's death on behalf of his widow for a 2-year period or

until she sells the house, whichever is sooner. Also directs Secretaries to notify promptly the widow of the increase in costs she must bear at end of 2-year period.

#### SEASONAL HOMES

*Section 302.*—Adds a new section 203(m) to the National Housing Act to authorize FHA to insure mortgages on seasonal homes not exceeding \$15,000 and 75 percent of the appraised value on an acceptable risk basis, taking into consideration the economic potential of the area and the effect the insurance of such mortgages would have on the availability of mortgage credit in the area. Also requires proper steps to preserve natural resources of the area.

#### MODIFICATION IN TERMS OF INSURED MORTGAGES COVERING MULTIFAMILY PROJECTS

*Section 303.*—Adds a new section 239 to the National Housing Act to require the Secretary of HUD to approve a request for the extension of time for curing a default on any FHA multifamily mortgage or for a modification of the terms of such a mortgage only pursuant to regulations prescribed by him. Under such regulations, the mortgagor would have to agree to place in trust any income or funds derived from the project in excess of what is required to meet actual and necessary operating expenses. The Secretary could provide for granting such consent in any case or class of cases without regard to the requirements of the regulations where he determined such action would not jeopardize the interests of the United States. Any knowing and willful misdistribution of the rents or other income received during the period of extension or modification would subject the party to criminal penalty (\$5,000 or 3-year imprisonment, or both).

#### CONDOMINIUMS

*Section 304.*—Amends section 234 (c) and (f) of the National Housing Act to: (1) Provide the same downpayment and maximum mortgage limitations for FHA condominium programs as are provided for the regular single-family FHA section 203(b) program, (2) permit blanket mortgages to cover four or more units instead of the present limitation of five or more units, and (3) permit FHA insurance for individual units in a condominium project with two to 11 dwelling units without requiring that the project be first covered by an FHA-insured project mortgage.

#### INSURANCE OF LOANS FOR PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

*Section 305(a).*—Adds a new section 240 to the National Housing Act to permit FHA to insure loans of homeowners financing the purchase of fee simple title to property on which their homes are located where the homeowners have only leasehold interests to the land.

*Section 305(b).*—Amends 5(c) of the Home Owners' Loan Act of 1933 to permit savings and loan associations to invest in the loans described above.



EXTEND SECTION 221(d)(2) SALES HOUSING PROGRAM FOR TWO-, THREE-,  
AND FOUR-FAMILY RESIDENCES TO ALL LOW AND MODERATE INCOME  
FAMILIES

*Section 306.*—Amends section 221(d)(2) of the National Housing Act to authorize mortgage insurance for two-, three-, and four-family residences to *all* low and moderate income families. (Existing law limits mortgage insurance *only* to displaced low and moderate income families.)

REMOVE DIVIDEND RESTRICTION FROM NONDWELLING FACILITIES IN SECTION  
221 PROJECTS

*Section 307.*—Amends section 221(f) of the National Housing Act to remove the requirement that mortgagors of multifamily projects insured under section 221 and located in urban renewal areas waive the rights to remove dividends on the equity investment of the project devoted to community and shopping facilities where these facilities are designed to serve the needs of others than residents of the project. (The restriction would not be removed in the case of sec. 221(d)(3) BMIR projects.)

SUPPLEMENTAL LOAN PROGRAM FOR PROJECTS FINANCED WITH FHA INSURED  
MORTGAGES

*Section 308.*—Adds a new section 223(f) to the National Housing Act to permit the Secretary of HUD to insure supplemental loans to finance improvements, repairs, and additions to multifamily rental projects (including nursing homes and housing for the elderly) and group practice facilities financed with an FHA insured mortgage. Such financing would supplement existing insured mortgages and would be available without refinancing the existing mortgage.

HOME IMPROVEMENT LOANS—INCREASE IN MAXIMUM MATURITY, FINANCE  
CHARGE, AND LOAN AMOUNT

*Section 309.*—Amends section 2(b) of the National Housing Act containing the title I home improvement program to: (1) Increase the maximum loan limitation from \$3,500 to \$5,000; (2) increase the maximum maturity from 5 years and 32 days to 7 years and 32 days; and (3) increase the maximum financing charge from \$5 to \$5.50 per \$100 on the first \$2,500 of the loan and from \$4 to \$4.50 per \$100 on the amount in excess of \$2,500.

EXPERIMENTAL HOUSING PROGRAM

*Section 310.*—Amends section 223 of the National Housing Act, the FHA experimental housing program, to make the program available for use in connection with all FHA programs.

TERM OF FHA MORTGAGES FOR LAND DEVELOPMENT

*Section 311.*—Amends section 1002(d)(1) of the National Housing Act to increase the maturity for FHA mortgages securing subdivision

development from 7 to 10 years with further authority placed in the Secretary of HUD to go beyond a 10-year maturity if he deems such longer term is necessary.

#### REHABILITATED MULTIFAMILY PROJECTS IN URBAN RENEWAL AREAS

*Section 312.*—Amends section 220(d)(3)(B)(ii) and 221(d)(3)(iii) of the National Housing Act to permit FHA insurance under sections 220 (urban renewal housing) and 221(d)(3) (low and moderate income families) for multifamily properties in urban renewal areas which have been rehabilitated by local agencies.

#### MISCELLANEOUS HOUSING INSURANCE

*Section 313.*—Amends section 223 of the National Housing Act to permit refinancing of FHA mortgages insured under any of the sections or the titles of the National Housing Act. In addition, this section would permit FHA mortgages assigned to the Secretary or executed in the sale of an acquired property to be insured under any section or title of that act. It also authorizes insurance of supplementary loans to cover excess of expenses over income for first 2 years of multifamily projects at the interest rate in effect at the time the supplementary loan is insured.

#### SUPPLEMENTARY LOANS FOR COOPERATIVE HOUSING PURCHASED FROM THE FEDERAL GOVERNMENT

*Section 314.*—Amends section 213(j) of the National Housing Act to authorize mortgage insurance for supplementary loans to housing cooperatives which purchased wartime housing from the Federal Government.

#### EQUIPMENT IN NURSING HOMES

*Section 315.*—Amends section 232 of the National Housing Act to permit the cost of major items of equipment necessary for the operation of a nursing home to be included in the FHA insured mortgage.

#### FLEXIBLE INTEREST RATES FOR CERTAIN FHA INSURANCE PROGRAMS

*Section 316.*—Amends section 3(a) of Public Law 90-301 to permit the Secretary of HUD, until October 1, 1969, to establish the interest rate for new mortgage insurance programs authorized by new sections 223(f), 235(j), and 240 of the National Housing Act (added by secs. 101, 314, and 305, respectively, of the bill) at such rate he believes necessary to meet the market.

#### SALE OF REHABILITATED UNITS IN MULTIFAMILY STRUCTURES

*Section 317.*—Amends section 221(h) of the National Housing Act to: (1) Permit the rehabilitation and sale of individual units (with a 3-percent mortgage) in a multifamily structure; and (2) permit the blanket mortgage to cover four or more units instead of the present limitation of five or more units.



#### TITLE IV—GUARANTEES FOR FINANCING NEW COMMUNITY LAND DEVELOPMENT

*Sections 401-416.*—Add a new title to be referred to as the “New Communities Act of 1968” to the housing laws to permit the Secretary of HUD to guarantee the bonds, debentures, notes, and other obligations issued by private new community developers to help finance the development of new community projects. This title would provide:

*Maximum guarantee:* Cannot exceed: (a) The lesser of 80 percent of the Secretary’s estimate of the value of the property upon completion of the land development, or (b) the sum of 75 percent of the Secretary’s estimate of the value of the land before development and 90 percent of his estimate of the actual cost of the land development.

*Guaranteed ceilings:* \$50 million for any single new development; \$500 million aggregate outstanding principal obligation at any one time.

*Revolving fund for guarantee:* Fees and charges collected by the Secretary will be deposited in a revolving fund to cover any liabilities under the guarantees. In addition, the full faith and credit of the United States is pledged to payment of the guarantees and appropriations to cover program operations and nonadministrative expenses and, if necessary, any guarantee payments are authorized.

*Small builders:* Requires HUD to adopt requirements encouraging small builders to participate in new community projects.

*Supplementary grants:* Authorizes supplemental grants to States and localities assisting new community development with basic water and sewer and open space projects. The additional grant is limited to 20 percent of cost of the facility and a substantial number of housing units for low and moderate income persons must be made available through such development project. (Total Federal grant cannot exceed 80 percent of facility cost.) Authorizes an appropriation of not to exceed \$5 million for supplemental grants for fiscal year 1969 and not to exceed \$25 million for fiscal year 1970.

Sections of this title also require cost certifications in connection with a land development project and authorize the General Accounting Office to audit the transactions of developers whose obligations are guaranteed pursuant to this title.

#### TITLE V—URBAN RENEWAL

*Section 501.*—Amends title I of the Housing Act of 1949 by adding a new subtitle heading to read. “Part A—Urban Renewal Projects, Demolition Programs and Code Enforcement Programs” and further amends that title by adding a new “Part B—Neighborhood Development Programs.” This new part B added to title I authorizes the Secretary of HUD to provide financial assistance to local public agencies on an annual basis to assist them in carrying out “neighborhood development programs.” A neighborhood development program would consist of urban renewal project undertakings and activities in one or more urban renewal areas that are planned and carried out on the basis of annual increments. The requirements governing such under-

takings and activities would be similar to those governing the provision of Federal financial assistance for regular urban renewal projects.

#### INCREASED AUTHORIZATION

*Section 502.*—Amends section 103(b) of the Housing Act of 1949 to increase the contract authority for urban renewal and other title I activities by \$1.4 billion on July 1, 1969. This section also authorizes an increase of \$350 million for urban renewal projects in model city areas.

#### REHABILITATION GRANTS

*Section 503.*—Amends section 115(a) of the Housing Act of 1949 to increase the rehabilitation grant that can be made to low-income homeowners from \$1,500 to \$2,500. This section also makes a technical amendment to change the term "structure" to "real property" in order to permit the use of grant funds for rehabilitation relating to aspects of the property other than the dwelling structure itself. Finally, this section authorizes rehabilitation grants in areas (other than urban renewal and code enforcement areas) which are scheduled for rehabilitation or concentrated code enforcement within a reasonable period of time.

#### REHABILITATION IN URBAN RENEWAL AREAS

*Section 504.*—Amends section 110(c) (8) of the Housing Act of 1949 to remove the present limitation on the acquisition and rehabilitation of residential properties by a local urban renewal agency. (Existing law permits the local agency to acquire and rehabilitate for demonstration purposes no more than 100 units or 5 percent of the total residential units in the urban renewal area, whichever is lesser.)

#### DISPOSITION OF PROPERTY FOR LOW AND MODERATE INCOME HOUSING

*Section 505.*—Amends section 107 of the Housing Act of 1949 to make it clear that land may be disposed of for low as well as moderate income housing purposes and to permit this disposition to be accomplished by lease as well as by sale. Would also permit land to be sold to a mortgagor qualified under section 236 of the National Housing Act (added by sec. 201 of this bill) and to nonprofit organizations eligible under section 221(h) or under 235(j) (1) of the National Housing Act (added by sec. 101 of this bill) which rehabilitate property and sell it to low or moderate income families.

#### GRANTS FOR LOW AND MODERATE INCOME HOUSING IN OPEN LAND PROJECTS

*Section 506.*—Amends section 103(a) (1) of the Housing Act of 1949 to permit grants to be made with respect to urban renewal open land projects (which now only qualify for loans) in an amount not to exceed two-thirds of the difference between the proceeds from any land disposed of at its value for low or moderate income housing



(under sec. 107 of such act) and the proceeds which would have been realized if the land had been disposed of at its fair value without regard to the special provisions of section 107.

#### URBAN RENEWAL LOAN CONTRACTS

*Section 507.*—Amends section 102(c) of the Housing Act of 1949 to permit a local public agency to borrow funds to finance project undertakings on the private market at an interest rate in excess of the Federal lending rate set out in its loan contract with the Government. The difference between the interest cost on the private market and the interest cost at which the LPA could have borrowed from the Federal Government under its loan contract would be made up by a supplemental grant from the Government.

#### PROJECT COMPLETION PRIOR TO DISPOSITION OF CERTAIN PROPERTY

*Section 508.*—Amends section 106 of the Housing Act of 1949 to permit the Secretary of HUD to allow an urban renewal project to be closed out where: (1) Not more than 5 percent of the total acquired land remains to be disposed; (2) the local public agency does not expect to be able, due to circumstances beyond its control, to dispose of that land in the near future; (3) all other project activities are completed; and (4) the local public agency has agreed to dispose of or retain such land in the future for uses in accordance with the urban renewal plan. This section would also amend section 110(f) of such act to include in the amount of land proceeds, for the purpose of computing net project cost, an amount equal to the value of the land not yet disposed of.

#### DEMOLITION GRANTS

*Section 509.*—Amends section 116(a) of the Housing Act of 1949 to authorize the Secretary of HUD to make grants for the demolition of nonresidential structures that are harborages or potential harborages of rats.

#### AIR RIGHTS IN URBAN RENEWAL AREAS

*Section 510.*—Amends section 110(c) of the Housing Act of 1949 to permit the carrying out of air rights urban renewal projects and the construction of necessary foundations and platforms to provide educational facilities. Under present law, these activities may be assisted only when they are for low and moderate income housing or for industrial development where the area is not suitable for low and moderate income housing.

#### INTERIM ASSISTANCE FOR BLIGHTED AREAS

*Section 511.*—Adds a new section 118 to title I of the Housing Act of 1949 to authorize the Secretary of HUD to contract to make grants, in an aggregate amount not to exceed \$20 million in any fiscal year, to cities and other municipalities or counties to assist in taking interim steps to alleviate harmful conditions in any slum and blighted area of

the community which is planned for substantial clearance, rehabilitation or federally assisted code enforcement in the near future but which needs some immediate short-term public action until permanent action can take place. Such interim assistance grants could not exceed two-thirds of the cost of planning and carrying out the interim program except that a three-fourths grant could be made to any community with a population of 50,000 or less. A workable program is a prerequisite of an interim assistance program. Also, relocation assistance and payments would be available to those displaced as a result of the interim program. This section also requires the Secretary of HUD, wherever feasible, to encourage the employment of unemployed or underemployed residents of the area in carrying out activities under this section.

#### REHABILITATION LOANS

*Section 512.*—Amends section 312 of the Housing Act of 1964 to: (1) Extend the rehabilitation loan program from October 1, 1969, to October 1, 1970, and (2) authorize such loans in areas, other than urban renewal and concentrated code enforcement areas, which are scheduled for rehabilitation or concentrated code enforcement within a reasonable period of time where the property is a owner-occupied residential structure and it is in violation of local housing or similar codes.

#### LOW AND MODERATE INCOME HOUSING IN RESIDENTIAL URBAN RENEWAL AREAS

*Section 513.*—Rewrites section 105(f) of the Housing Act of 1949 to require that a majority of the housing units provided in urban renewal projects which are to be redeveloped for predominantly residential uses and which receive Federal recognition after the effective date of this bill be standard housing units for low or moderate income families or individuals.

### TITLE VI—URBAN PLANNING AND FACILITIES

#### COMPREHENSIVE PLANNING

*Section 601.*—Rewrites section 701 of the Housing Act of 1954 (urban planning assistance). The principal change authorizes the Secretary of HUD to make planning grants to State planning agencies for assistance to district planning agencies for rural and other non-metropolitan areas. A grant authorization of \$20 million would be provided for such planning grants, to be increased by an additional \$10 million on July 1, 1969, both to come out of the regular increase. The Secretary of Agriculture would be given certain functions with respect to these district planning grants. The section also authorizes an additional \$10 million of the section 701 appropriations to be available for study, research, and demonstration projects covering such matters as the planning for entire systems of public facilities and services within metropolitan areas and other multijurisdictional regions. Other changes would authorize the Secretary to make planning grants directly to tribal planning councils or other bodies for planning on



Indian reservations and would require that metropolitan, regional, and district planning agencies, to the greatest extent practical, be composed of or responsible to elected officials of local governments. This section also authorizes grants under section 701(g) for regional and district councils of government as well as those organized on a metropolitan basis and a broadening of the definition of comprehensive planning for the provision of governmental services and for the development and utilization of human and natural resources. This section has added to the preamble of section 701 a statement to make it clear that the committee expects HUD to permit the judicious use of private planning consultants by State and local governments where these governments deem it appropriate in carrying out planning activities assisted under section 701. The section further authorizes grants to official governmental planning agencies for areas where rapid urbanization is expected to result on land developed or to be developed as a new community under title IV of the bill and to regional commissions established pursuant to the Public Works and Economic Development Act of 1965.

The bill also authorizes additional 701 planning funds amounting to \$35 million for fiscal year 1969 and \$125 million for fiscal year 1970.

#### PLANNED AREA-WIDE DEVELOPMENT

*Section 602.*—Amends title II of the Demonstration Cities and Metropolitan Development Act of 1966 by changing the heading of such title to "Planned Area-wide Development" and in keeping with this change in title amends the sections and subsections thereto to permit supplementary incentive grants authorized for certain federally assisted projects in metropolitan areas to be made for such projects being carried out in any multijurisdictional area such as the rural planning districts which are authorized by the amendments in section 601 of this bill. Also makes available for grant purposes through fiscal year 1970 any of the funds authorized for fiscal years 1967 and 1968, but which have not been appropriated.

#### ADVANCE ACQUISITION OF LAND

*Section 603.*—Amends section 701 and rewrites section 704 of the Housing and Urban Development Act of 1965 to provide basic authority for a more efficient and effective program of Federal assistance to localities for the advance acquisition of land expected to be needed for public purposes. The amendments and rewriting would:

- (1) Change the definition of eligible land;
- (2) Require that the proposed use of the land be undertaken within 5 years except the Secretary could go beyond the 5-year period if, due to unusual circumstances, he deems a longer period necessary and if he advised the Banking and Currency Committees of the Congress of this action;
- (3) Clarify the status of the land in the interim between acquisition and utilization for the approved purpose;

- (4) Permit the Secretary to approve the diversion of the land to another public purpose when in accord with comprehensive planning and give him discretion to require repayment of the grant or the substitution of land of equivalent value when the land is diverted to a nonpublic purpose;
- (5) Provide that assistance under this section will not render a project ineligible for other Federal assistance programs and that the cost of land acquired with this assistance will not be an ineligible project cost in such other programs;
- (6) Provide for grant assistance for imputed interest charges when an applicant uses other than borrowed funds to finance the acquisition of the land; and
- (7) Clarify the authority of States to participate in the program.

#### EXTENSION OF INTERIM PLANNING REQUIREMENTS IN WATER AND SEWER FACILITIES PROGRAM

*Section 604.*—Amends section 702(c) of the Housing and Urban Development Act of 1965 to extend interim planning requirements in the water and sewer facilities program from July 1, 1968, to October 1, 1969.

#### AUTHORIZATIONS FOR WATER AND SEWER FACILITIES, NEIGHBORHOOD FACILITIES, AND ADVANCE ACQUISITION OF LAND PROGRAMS

*Section 605.*—Amends section 708(a) of the Housing and Urban Development Act of 1965 to provide that any funds authorized but not appropriated for the basic water and sewer facilities, neighborhood facilities, and the advance acquisition of land programs will remain available for appropriation through fiscal year 1970. (Present authorization for these programs expires with fiscal year 1969.) In addition, this section authorizes an appropriation of \$115 million for fiscal year 1970 for grants for water and sewer projects.

#### OPEN SPACE LAND PROGRAM

*Section 606.*—Amends section 702(b) of the Housing Act of 1961 to convert the funding provision for contracts under the open space land program from contract authority to regular authorization for appropriation and authorizes the appropriation of the unused portion of contract authority. This section would also increase the appropriation authority by \$150 million in fiscal year 1970. This section would further increase the amount of grant funds which can be used annually for studies and publications from \$50,000 to \$125,000.

#### AUTHORIZE THE MAKING OF FEASIBILITY STUDIES IN THE PUBLIC WORKS PLANNING ADVANCES PROGRAM

*Section 607.*—Amends section 702(a) of the Housing Act of 1954 to clarify the authority of the Secretary of HUD to make advances for the conduct of feasibility studies regarding specific public works, the planning of which may be assisted under section 702.



## TITLE VII—URBAN MASS TRANSPORTATION

### GRANT AUTHORIZATIONS

*Section 701.*—Amends section 4(b) of the Urban Mass Transportation Act of 1964 to authorize an appropriation of \$190 million for fiscal year 1970. In addition, it would increase the amount of funds which may be used from the current authorization for research development and demonstration programs by \$6 million for fiscal year 1969 and would authorize the Secretary after fiscal year 1969 to use for research and demonstration activities such funds as he deems appropriate from those authorized in section 4(b) of the 1964 act.

### DEFINITION OF MASS TRANSPORTATION

*Section 702.*—Amends section 12(c) (5) of the Urban Mass Transportation Act of 1964 to broaden the statutory definition of “mass transportation.” The broadened definition would permit greater flexibility in developing and applying new concepts and systems in urban mass transportation programs.

### EXTENSION OF EMERGENCY PROGRAM UNDER THE URBAN MASS TRANSPORTATION ACT

*Section 703.*—Amends section 5 of the Urban Mass Transportation Act of 1964 to extend the emergency provisions of the mass transportation program from November 1, 1968, to July 1, 1970.

### NONFEDERAL SHARE OF NET PROJECT COST

*Section 704.*—Amends sections 4(a) and 5 of the Urban Mass Transportation Act of 1964 to permit private transit companies to furnish up to 50 percent of the local share of the net project cost of a mass transit project, or in cases of an applicant's (State or local public body) financial inability to put up any portion of the local share, private companies would be permitted to put up 100 percent of such share.

## TITLE VIII—SECONDARY MORTGAGE MARKET

### PURPOSES

*Section 801.*—States that the purpose of this title is to partition the Federal National Mortgage Association into two corporations: (1) Government National Mortgage Association (GNMA); and (2) Federal National Mortgage Association (FNMA).

### AMENDMENTS TO THE FEDERAL NATIONAL MORTGAGE ASSOCIATION CHARTER ACT

*Section 802.*—Amends the Federal National Mortgage Association Charter Act (title III) of the National Housing Act to establish—  
(a) *Government National Mortgage Association:*

Would operate existing special assistance and management and liquidating functions, and

Would be administered by Secretary of Housing and Urban Development (now under FNMA Board of Directors and a President).

(b) *Federal National Mortgage Association:*

*Purpose.*—Would operate a privately financed secondary mortgage market for government supported mortgages.

*Board of Directors.*—Would consist of 15 members of which five would be appointed annually by the Secretary of Housing and Urban Development. The remaining members would be elected by the stockholders. Of those members appointed by the Secretary, one shall be from the homebuilding industry, one from the real estate industry, and one from the mortgage lending industry.

*Powers of Secretary of Housing and Urban Development.*—Would have regulatory powers, including a requirement that a reasonable portion of mortgage purchases relate to low and moderate income housing; also issuance of securities would be subject to his approval.

*Treasury-held preferred stock.*—Would be retired as rapidly as possible after effective date.

*Common stock.*—Would continue to require mortgage sellers to purchase common stock; also each mortgage servicer would be required to hold up 2 percent of mortgages serviced in common stock.

#### PARTICIPATIONS

*Section 803.*—Amends section 302(c) of the Federal National Mortgage Association Charter Act to permit GNMA, as trustee under trusts created for sales of participation certificates, to issue such certificates for refinancing purposes without regard to the requirement of appropriation act authority. Any appropriation for insufficiencies accompanying the original authorization would apply as well to any "rollover" sale.

#### MORTGAGE-BACKED SECURITIES

*Section 804.*—Amends section 304 of such act to authorize the new Federal National Mortgage Association to issue securities backed by an earmarked pool of portfolio mortgages. This section would also authorize the Government National Mortgage Association to guarantee such securities as well as those issued by approved private issuers.

#### SUBORDINATED AND CONVERTIBLE OBLIGATIONS

*Section 805.*—Amends section 304 of such act to authorize the Federal National Mortgage Association to issue subordinated obligations up to twice its capital and surplus.

#### SPECIAL ASSISTANCE AUTHORIZATION

*Section 806.*—Amends section 305(c) of such act to authorize an additional \$500 million for the purchase of mortgages by the Government National Mortgage Association in its special assistance function.



## AMENDMENTS TO OTHER LAWS

*Section 807.*—Makes numerous changes in other laws necessitated by the establishment of the new Federal National Mortgage Association and the new Government National Mortgage Association.

## EFFECTIVE DATE

*Section 808.*—Provides that the partition of the existing Federal National Mortgage Association would become effective no more than 120 days following the enactment of this act.

## SAVINGS PROVISIONS

*Section 809.*—Preserves causes of action and legal proceedings existing or instituted by or against the Federal National Mortgage Association prior to the effective date so that such actions and proceedings will not abate.

## TRANSITIONAL PROVISIONS

*Section 810.*—Provides that the transitional period would begin on the "effective date" and terminate when at least one-third of the stock is owned by private investors in the homebuilding, mortgage lending, real estate, and related industries but no sooner than May 1, 1970, or later than May 1, 1973. During this period the President of the Federal National Mortgage Association will be appointed by the President of the United States with the advice and consent of the Senate and the Board of Directors would be limited to nine members. In the first year all nine members would be appointed by the Secretary of Housing and Urban Development, in the second year seven would be appointed by the Secretary and two would be elected by the stockholders, and in the third year and subsequent period, five members would be appointed by the Secretary and the remainder elected by the stockholders. One of the Secretary's appointees would have to be the President of FNMA.

## TITLE IX—NATIONAL HOUSING PARTNERSHIPS

*Sections 901-911.*—Authorizes the creation of National Housing Partnerships in order to encourage private investors to provide low and moderate income housing in substantial volume on a nationwide scale. Such a National Partnership would form partnership ventures with local investors for the construction of housing for low and moderate income families.

The title would authorize the creation of federally chartered privately funded corporations to be organized under the District of Columbia Business Corporation Act. Such a corporation in turn would form a partnership organized under this title and under the District of Columbia Uniform Limited Partnership Act. The federally chartered Corporation would serve as the general partner and managing agent of the National Partnership and each of the stockholders and others could be limited partners. The Corporation would provide the staff

and expertise for the Partnership in connection with the organization and planning of specific local project undertakings in which the National Partnership would have an interest.

## TITLE X—RURAL HOUSING

### HOUSING FOR LOW AND MODERATE INCOME PERSONS AND FAMILIES

*Section 1001.*—Adds a new section 521 to title V of the Housing Act of 1949 to authorize the Secretary of Agriculture to make direct and insured loans with interest-rate subsidies in rural areas to low and moderate income persons and families and to provide rental or co-operative housing for such persons and families where such persons and families are unable to obtain housing under sections 235 and 236 of the National Housing Act, proposed by sections 101 and 201 of this bill.

### HOUSING FOR RURAL TRAINEES

*Section 1002.*—Adds a new section 522 to title V of the Housing Act of 1949 to authorize financial and technical assistance to States or political subdivisions thereof, or any public or private nonprofit organization to provide, in rural areas, housing and related facilities for rural trainees (and their families) enrolled in federally assisted training courses to improve their employment capabilities when the Secretary determines that such housing and facilities could not be reasonably provided in any other way.

### APPROPRIATIONS

*Section 1003.*—Amends section 513 of the Housing Act of 1949 to authorize appropriations to the Secretary of Agriculture for the cost of carrying out his administrative functions under sections 235 and 236 of the National Housing Act.

### PURCHASE OF LAND FOR BUILDING SITES

*Section 1004.*—Amends section 514(f)(2) of the Housing Act of 1949 to broaden the eligibility purposes of domestic farm labor housing loans to include the purchase of necessary land for building sites.

## TITLE XI—NATIONAL INSURANCE DEVELOPMENT CORPORATION

### SHORT TITLE

*Section 1101.*—Adds new title to be referred to as “The National Insurance Development Corporation Act of 1968.”

### FINDINGS AND DECLARATION OF PURPOSE

*Section 1102.*—Includes a finding that the unavailability of property insurance in inner-city areas is accelerating the deterioration and threatening the economic well-being of cities. States that the purpose of the bill is to encourage the development of statewide programs to



increase the availability of property insurance and to provide Federal reinsurance with appropriate State sharing in reinsured losses due to civil disorders.

#### AMENDMENT OF THE NATIONAL HOUSING ACT

*Section 1103.*—Adds a new title XII to the National Housing Act to establish the National Insurance Development Corporation. The provisions of the proposed new title are summarized briefly below.

#### CREATION AND DISSOLUTION OF NATIONAL INSURANCE DEVELOPMENT

*Section 1201.*—Creates the National Insurance Development Corporation within the Department of Housing and Urban Development, under the authority of the Secretary.

#### EXECUTIVE DIRECTOR

*Section 1202.*—Provides that, subject to section 1201 the management of the Corporation shall be vested in an Executive Director appointed by the President, by and with the advice and consent of the Senate.

#### ADVISORY BOARD, MEETINGS, DUTIES, COMPENSATION, AND EXPENSES

*Section 1203.*—Establishes a 19-member Advisory Board appointed by the Secretary.

#### DEFINITIONS

*Section 1204.*—Contains definitions in this title.

#### PART A—STATEWIDE PLANS TO ASSURE FAIR ACCESS TO INSURANCE REQUIREMENTS

#### FAIR PLANS

*Section 1211.*—Requires every insurer reinsured by the Corporation to cooperate with the State insurance authority, in each State in which it acquires reinsurance, in establishing and carrying out statewide plans to assure fair access to insurance requirements ("FAIR" Plans). These plans, which must be approved by the State insurance authority or authorized by State law, are to be administered under the supervision of the State insurance authority and designed to make essential property insurance more readily available in, but not limited to, urban areas.

#### ALL INDUSTRY PLACEMENT FACILITY

*Section 1212.*—Requires all plans to include an all-industry placement facility, doing business with all participating insurers, to help agents and brokers to place insurance up to the full insurable value of a property.

## INDUSTRY COOPERATION

*Section 1213.*—Requires every participating insurer to pledge with the State insurance authority its full participation and cooperation of the plan and the need to form a pool or to adopt other programs to make essential property insurance more readily available.

## PLAN EVALUATION

*Section 1214.*—Provides for transmission of copies of plans and amendments by State insurance authorities to the Corporation and for these authorities to advise the Corporation with regard to the operation of the plan and the need to form a pool or to adopt other programs to make essential property insurance more readily available. The Corporation may modify plan criteria as may be necessary or desirable and upon certification by the State insurance authority waive compliance with one or more of the plan criteria.

## PART B—REINSURANCE COVERAGE

## REINSURANCE OF LOSSES FROM RIOTS OR CIVIL DISORDERS

*Section 1221.*—Authorizes the Corporation to offer riot or civil disorder property loss reinsurance to any insurer or pool of insurers in any one or more States. Reinsurance may be provided immediately upon enactment of the title for a 90-day period, but thereafter only if the insurer is participating in the State's plan under part A.

## REINSURANCE AGREEMENTS AND PREMIUMS

*Section 1222.*—Authorizes the Corporation to provide reinsurance, to reimburse the insurer for losses in excess of the insurer's retention, at premium rates adequate to provide premiums which will exceed in aggregate amount the insured riot losses in 1967, and provides that thereafter the Corporation may adjust reinsurance premium rates as may be necessary or appropriate after consultation with the Board and the National Association of Insurance Commissioners.

## CONDITIONS OF REINSURANCE

*Section 1223.*—Provides the conditions under which the Corporation will terminate existing reinsurance coverage and will not offer new coverage for insurance written after the termination date, including such conditions as State assumption of a share of reinsured losses, the adoption of additional programs such as pools, and insurer participation in State plans and programs.

## RECOVERY OF PREMIUMS: STATUTE OF LIMITATIONS

*Section 1224.*—Authorizes the Corporation to recover any unpaid premiums for reinsurance; imposes a 5-year statute of lim-



itations on the recovery by an insurer of excess premiums paid to the Corporation or the recovery by the Corporation of reinsurance premiums due to it.

## PART C—PROVISIONS OF GENERAL APPLICABILITY

### CLAIMS AND JUDICIAL REVIEW

*Section 1231.*—Authorizes the Corporation to adjust and pay claims for proved and approved losses, and allows a claimant to institute an action in the U.S. district court within 1 year after receipt of notice of disallowance of a claim.

### FISCAL INTERMEDIARIES AND SERVICING AGENTS

*Section 1232.*—Authorizes the Corporation to contract with any insurer, pool, or other person or organization for estimating or determining reinsurance claim payment amounts, receiving, disbursing, and accounting for reinsurance claim payments, auditing insurers' records to assure proper payments, establishing the basis of reinsurance liability, and otherwise assisting in carrying out the purposes of the title.

### NATIONAL INSURANCE DEVELOPMENT FUND

*Section 1233.*—Provides for the establishment of a national insurance development fund to be available to the Corporation without fiscal year limitation to pay reinsurance claims, to pay administrative expenses, and to repay with interest amounts borrowed under section 520(b) of the National Housing Act.

### RECORDS, ANNUAL STATEMENT, AND AUDITS

*Section 1234.*—Requires reinsured insurers to furnish the Corporation with annual statements and such data as may be necessary in carrying out this program and to keep records to facilitate an effective audit; authorizes the Corporation and the Comptroller General to conduct audits; and provides that the Corporation is to make use of State insurance authority examination reports and facilities to the maximum extent feasible in connection with these activities.

### STUDY OF REINSURANCE AND OTHER PROGRAMS

*Section 1235.*—Provides for the Corporation to study reinsurance and other means of assuring an adequate supply of burglary and theft and other property insurance in urban areas and the adequate availability of surety bonds for construction contractors in urban areas and to report to the President and the Congress within 1 year the results of its study and its recommendations.

### OTHER STUDIES

*Section 1236.*—Provides for the Corporation, in cooperation with State insurance authorities and the private insurance indus-

try, to study the operation of the FAIR plans, the extent of the unavailability of essential property insurance in urban areas, the market for private reinsurance, loss-prevention methods and procedures, insurance marketing methods, and underwriting techniques.

#### GENERAL POWERS OF CORPORATION

*Section 1237.*—Authorizes the Corporation to have a corporate seal, to sue and be sued (with all civil actions in which the Corporation is a party deemed to arise under the laws of the United States), to enter into and perform contracts, leases, and other agreements without competitive bidding; to employ a staff; to make necessary or appropriate rules and regulations; and to exercise all powers specifically granted by the title and such incidental powers as are necessary to carry out its purposes.

#### SERVICE AND FACILITIES OF OTHER AGENCIES—UTILIZATION OF PERSONNEL, SERVICES, FACILITIES, AND INFORMATION

*Section 1238.*—Authorizes the Corporation, with the consent of the agency concerned, to utilize the personnel and information of any agency of the Federal Government on a reimbursable basis and to obtain data relevant to matters within its jurisdiction from any Federal agency on a nonreimbursable basis to the extent permitted by law.

#### ADVANCE PAYMENTS AND FINALITY OF CERTAIN FINANCIAL TRANSACTIONS

*Section 1239.*—Provides that the Corporation's financial transactions relating to reinsurance shall be final and conclusive on all officers of the United States and that the Corporation may make reinsurance payments in advance or by way of reimbursement and in such installments and on such conditions as it may determine.

#### TAXATION

*Section 1240.*—Exempts the Corporation from local, State or Federal taxation and provides that any State undertaking measures in meeting its obligations for reinsured losses shall not be subject to retaliatory or fiscal imposition by any other State.

#### ANNUAL REPORT

*Section 1241.*—Requires the Secretary to include a report on the operations of the Corporation in his annual report.

#### APPROPRIATIONS

*Section 1242.*—Authorizes to be appropriated such sums as may be necessary to carry out this title.



## FINANCING

*Section 1104.*—Amends section 520(b) of the National Housing Act to authorize the Secretary to borrow funds necessary to pay for re-insured losses under title XII of the act.

## GOVERNMENT CORPORATION CONTROL ACT

*Section 1105.*—Defines the National Insurance Development Corporation as a wholly owned Government corporation under the Government Corporation Control Act.

## COMPENSATION OF EXECUTIVE DIRECTOR

*Section 1106.*—Provides for compensation of the Executive Director at the rate prescribed for level IV of the Federal Executive Salary Schedule.

## CLARIFYING AMENDMENTS TO ACTS REFERRING TO DISASTERS

*Section 1107.*—Would amend other acts to include “riot or civil disaster” in the definitions of “disaster” or “catastrophe.”

## TITLE XII—NATIONAL FLOOD INSURANCE ACT OF 1968

## SHORT TITLE

*Section 1201.*—Adds new title to be referred to as “National Flood Insurance Act of 1968.”

## FINDINGS AND DECLARATION OF PURPOSE

*Section 1202.*—States that a flood insurance program is feasible and can be initiated, and should complement and encourage measures to prevent flood damage; that if the program is commenced on a gradual basis, time and experience will enable it to be reappraised and expanded; that the program can be carried out most effectively through a cooperative effort on the part of the Federal Government and the private insurance industry; and that a critical ingredient of such a program will be the encouragement of State and local governments to adopt land use regulations to govern the development of land exposed to flood damage. Calls for the President to submit to the Congress, within 2 years, a unified national program for flood plain management, including any further proposals for the allocation of costs among beneficiaries of flood protection.

## AMENDMENTS TO THE FEDERAL FLOOD INSURANCE ACT OF 1956

*Section 1203(a).*—Amends section 15(e) of the Federal Flood Insurance Act of 1956. That section vested the Administrator of the Housing and Home Finance Agency with authority to borrow \$500 million in the aggregate (or greater sums if authorized by the President) from the Secretary of the Treasury. The amendment in section 1203(a) relates to the interest formula which is to apply to borrowed

funds. Under section 1210 of the bill, the borrowing authority would be made specifically available to the Secretary of Housing and Urban Development to carry out responsibilities which would be vested in him under the bill.

*Section 1203(b).*—Strikes out obsolete language from section 15(e) of the Federal Flood Insurance Act of 1956.

*Section 1203(c).*—Repeals all sections of the Federal Flood Insurance Act of 1956, except section 15(e), relating to Treasury borrowing authority.

#### DEFINITIONS

*Section 1204.*—Defines: (1) "flood" as having such meaning as prescribed in regulations of the Secretary, and including inundation from the overflow of streams, rivers, or other bodies of waters, and from tidal surges, abnormally high tidal water, tidal waves, hurricanes, and other severe storms or deluge; (2) "United States" and "State" as including the several States, the District of Columbia, the territories and possessions, and the Commonwealth of Puerto Rico; (3) "insurance company," "other insurers," "insurance agents and brokers," to include any organizations or individuals authorized to engage in the insurance business under the laws of any State; (4) "insurance adjustment organizations" to include any organizations or persons engaged in the business of adjusting loss claims arising under insurance policies issued by licensed insurance companies or other insurers; (5) "person" as any individual, group of individuals, corporation, partnership, association, or other organized group, including State and local governments and agencies; and (6) "Secretary" as the Secretary of Housing and Urban Development.

### CHAPTER I—THE NATIONAL FLOOD INSURANCE PROGRAM

#### BASIC AUTHORITY

*Section 1205(a).*—Authorizes the Secretary of Housing and Urban Development to establish and carry out a program to facilitate the purchase of flood insurance to provide against physical damage to real or personal property resulting from flood.

*Section 1205(b).*—Provides that this program shall be implemented, to the maximum extent practicable, through arrangements for financial participation and risk sharing by companies in the private insurance industry, and by other appropriate participation on a non-risk-sharing basis by insurance companies, agents, brokers, or adjustment organizations.

#### SCOPE OF PROGRAM AND PRIORITIES

*Section 1206(a).*—Authorizes the Secretary to make the flood insurance program available initially for one- to four-family residential properties.

*Section 1206(b).*—Authorizes the Secretary to extend coverage of the flood insurance program when, on the basis of studies and other information, he determines that extension would be feasible. Future coverage of the program could be extended to: (1) Other residential



properties, (2) business properties, (3) agricultural properties, (4) properties occupied by private nonprofit organizations, and (5) properties owned by State and local governments and agencies thereof.

*Section 1206(c).*—Provides that flood insurance will be made available in only those States or areas (or subdivisions of areas) which the Secretary determines had evidenced a positive interest in the flood insurance program, and had given satisfactory assurances that by June 30, 1970, permanent land use and control measures, consistent with criteria prescribed in section 1261, or for land management and use, have been adopted, and that application and enforcement of these measures would commence as soon as technical information on floodways and on controlling flood elevations was available.

This would not require the same land management and use measures for all areas, since these measures must meet the particular flood problems of each area.

#### NATURE AND LIMITATION OF INSURANCE COVERAGE

*Section 1207(a).*—Authorizes the Secretary, after consultation with the flood insurance advisory committee, and representatives of the State insurance commissioners, to provide by regulation for the general terms and conditions of insurability applicable to properties eligible for flood insurance. A representative organization of all State insurance authorities, such as the National Association of Insurance Commissioners, will be called upon for purposes of consulting State insurance authorities. These terms and conditions will include the types and locations of eligible properties; the nature and limits of insurable losses; the classification, limitation, and rejection of risks; and appropriate minimum premiums and loss-deductibles.

*Section 1207(b).*—Provides that insurance coverage for one- to four-family residential properties will be limited to \$15,000 aggregate liability for any dwelling unit and \$30,000 for any dwelling structure of from two to four units. Liability for personal property will be limited to \$5,000 for the contents of each dwelling unit. Both real property and contents will be subject to an appropriate loss-deductible clause. For any other properties which will become eligible for flood insurance coverage in the future (such as small business properties), the aggregate liability for any single structure will be \$30,000. These limits will apply to any insurance sold at premiums below full actuarial cost. Insurance coverage could be doubled under this section, but any excess over the limits specified will require the payment of premium rates at full cost.

#### ESTIMATES OF PREMIUM RATES

*Section 1208(a).*—Authorizes the Secretary, on the basis of studies and investigations, to estimate on an area, subdivision, or other appropriate basis: (1) Risk premium (full cost) rates for flood insurance, (2) the rate (at below full cost, if necessary) which would be reasonable, would encourage the purchase of flood insurance, and would be consistent with the purposes of the act, and (3) the extent to which federally assisted or other flood protection measures initiated after the effective date of the act affect the estimates of rates mentioned in (1) and (2). The Secretary will base estimates of risk premium rates on a

consideration of the risks involved and accepted actuarial principles. The rates will reflect applicable operating costs and allowances of participating private insurers, and, on a discretionary basis, non-developmental Federal administrative expenses which may be incurred in carrying out the flood insurance program.

*Section 1208(b).*—Provides that, in conducting the necessary rate studies and investigations, the Secretary shall, to the extent feasible, utilize the services, on a reimbursement basis, of the Army Corps of Engineers, the Geological Survey, the Soil Conservation Service, the Environmental Science Services Administration, the Tennessee Valley Authority, and other appropriate Federal departments and agencies.

*Section 1208(c).*—Requires the Secretary to give priority to those States or areas that have evidenced a positive interest in flood insurance, in making rate studies and investigations.

#### ESTABLISHMENT OF CHARGEABLE PREMIUM RATES

*Section 1209(a).*—Authorizes the Secretary, after consultation with the flood insurance advisory committee and representatives of the State insurance authorities, to establish chargeable premium rates and the areas, terms and conditions for the application of such rates. Rates will be determined on the basis of estimates made under section 1208 and other necessary information.

*Section 1209(b).*—Provides that, in prescribing chargeable rates, the Secretary shall be guided by a number of factors, including the consideration of the respective risks involved, the differences in risk due to land use measures, floodproofing, flood forecasting and similar measures. The Secretary would be authorized to prescribe chargeable rates at reasonable levels, lower than those at full cost where necessary, in order to encourage the purchase of flood insurance. In low-risk areas the chargeable rate for existing properties will be the same or close to the estimated full cost rate. The higher the flood risk for an area, the lower the chargeable rate would be, in relation to the estimated full-cost rate. Under this section, all chargeable rates will be stated so as to reflect their basis, including any differences from the estimated full-cost risk premium rates.

*Section 1209(c).*—Provides that after an area has been identified as being flood-prone and this information was published in the area, then newly constructed property or substantially improved property can be insured only at rates which are not less than the estimated (full cost) risk premium rate.

*Section 1209(d).*—Provides that where any chargeable premium rate is equal to the estimated risk premium rate (full cost) for the area, and if the rates include any amount for administrative expenses of the Federal Government in carrying out the flood insurance program (in the Secretary's discretion under section 1208), a sum equal to that amount is to be paid to the Secretary to be deposited in the insurance fund.

#### TREASURY BORROWING AUTHORITY

*Section 1210(a).*—Provides that the authority vested in the Housing and Home Finance Administrator by section 15(e) of the Federal Flood Insurance Act of 1956 (pertaining to the issue of notes or other



obligations to the Secretary of the Treasury) shall be vested in the Secretary.

*Section 1210(b).*—Requires that borrowed Treasury funds must be deposited in the national flood insurance fund established under section 1211.

#### NATIONAL FLOOD INSURANCE FUND

*Section 1211(a).*—Authorizes the Secretary to establish in the U.S. Treasury a national flood insurance fund. Premium equalization payments to the insurance pool, reinsurance claims of the pool, and repayments of borrowed moneys to the Secretary of the Treasury (available from appropriations or reinsurance premiums) will be charged to the fund. Administrative expenses of carrying out the program may also be paid out of the fund.

*Section 1211(b).*—Requires the fund to be credited with: (1) Borrowed Treasury funds, (2) reinsurance premiums payable by the insurance pool, (3) amounts advanced to the fund from appropriations in order to maintain it on adequate levels, (4) interest on the investment of surplus amounts in the fund, (5) administrative expenses included in chargeable premium rates and which have been paid to the Secretary, and (6) receipts from other operations incident to the insurance program; and, in the event the flood insurance program is carried out through the facilities of the Federal Government, the insurance premiums paid.

*Section 1211(c).*—Authorizes the Secretary of the Treasury to invest surplus moneys in the fund in obligations issued or guaranteed by the United States, if: (1) All outstanding obligations have been liquidated, and (2) any outstanding amounts that have been advanced to the fund from appropriations for reinsurance payments to the pool have been credited to that appropriation, with interest accrued at a rate based on the average current yield on outstanding marketable obligations of the United States of comparable maturities.

*Section 1211(d).*—Provides that the fund will be available to finance the operation of the flood insurance program if the Secretary finds that it should, in whole or in part, be carried out through the facilities of the Federal Government, including costs incurred in the adjustment and payment of loss claims and payment of applicable operating costs of private insurers if such companies are involved. Any premiums paid are to be deposited in the fund.

#### OPERATING COSTS AND ALLOWANCES

*Section 1212(a).*—Directs the Secretary to negotiate with appropriate representatives of the insurance industry, from time to time, for the purpose of prescribing a current schedule of operating costs applicable to risk-sharing and non-risk-sharing participants in the flood insurance program, and a current schedule of operating allowances (profits) applicable to risk-sharing insurers. These schedules will be prescribed in regulations.

*Section 1212(b).*—Specifies that operating costs include: (1) Expense reimbursements covering the expenses of selling and servicing the insurance, (2) reasonable compensation or commissions payable for

selling and servicing the insurance, (3) loss adjustment expenses, and (4) other expenses which the Secretary finds were incurred in selling or servicing the insurance. Operating allowances include amounts for profit and contingencies which the Secretary finds reasonable and necessary.

#### PAYMENT OF CLAIMS

*Section 1213.*—Authorizes the Secretary to prescribe regulations establishing methods for the adjustment and payment of claims for losses to property insured under the flood insurance program.

#### DISSEMINATION OF FLOOD INSURANCE INFORMATION

*Section 1214.*—Directs the Secretary to make information and data available to the public and to any State and local agency regarding: (1) The coverage and objectives of the flood insurance program, and (2) estimated and chargeable flood insurance premium rates, and the basis for the difference between such rates.

#### PROHIBITION AGAINST CERTAIN DUPLICATIONS OF BENEFITS

*Section 1215(a).*—Contains provisions which will prevent Federal disaster assistance from being made available to compensate for any loss to the extent it is covered by flood insurance. Also provides that no such assistance shall be made available to the extent losses of real or personal property could have been covered (at the maximum limits) if flood insurance was actually available more than 1 year prior to the loss. Authority is provided for the Secretary to prescribe, by regulations, an exception to this latter provision for low-income persons who might otherwise benefit from such assistance.

*Section 1215(b).*—Provides that "Federal disaster assistance" includes any Federal financial assistance made available to any person as a result of: (1) A major disaster, as determined by the President pursuant to "An Act to authorize Federal Assistance to State and local governments in major disasters, and for other purposes" (42 U.S.C. 1855-1855g); (2) a natural disaster, as determined by the Secretary of Agriculture pursuant to section 321 of the Consolidated Farmers Home Administration Act of 1961; (3) a disaster with respect to which loans may be made under section 7(b) of the Small Business Act.

*Section 1215(c).*—Makes the term "financial assistance" as used in section 10 of the Disaster Relief Act of 1966 (which directs that Federal assistance programs be administered to avoid duplication of benefits) include flood insurance.

#### STATE AND LOCAL LAND USE CONTROLS

*Section 1216.*—Provides that after June 30, 1970, no new flood insurance coverage (including renewals) will be provided in any area unless an appropriate public body had adopted permanent land use and control measures, with effective enforcement provisions, which the Secretary finds consistent with the comprehensive criteria for land management and use prescribed under section 1261.



## PROPERTIES IN VIOLATION OF STATE AND LOCAL LAW

*Section 1217.*—Prohibits any new flood insurance (including renewals) for property which violates State or local laws, regulations, or ordinances which are intended to discourage or otherwise restrict land development or occupancy in flood-prone areas.

## COORDINATION WITH OTHER PROGRAMS

*Section 1218.*—Directs the Secretary to consult with Federal, State, and local agencies having responsibilities for flood control, flood forecasting, and flood damage prevention, in order to assure mutual consistency between the programs of such agencies and the flood insurance program.

## ADVISORY COMMITTEE

*Section 1219(a).*—Directs the Secretary to appoint a flood insurance advisory committee. The purpose of the committee is to advise the Secretary with respect to the administration of this act and in the preparation of the regulations prescribed in the act.

*Section 1219(b).*—Provides that the committee shall consist of not more than 15 persons selected from: (1) The insurance industry, (2) State and local governments, (3) lending institutions, (4) the home-building industry, and (5) the general public.

*Section 1219(c).*—Provides that committee members, while attending conferences or meetings, will be compensated at a rate fixed by the Secretary not to exceed \$100 a day and to also receive travel and living expenses when serving away from their homes or regular places of business.

## INITIAL PROGRAM LIMITATIONS

*Section 1220.*—Provides that the face amount of flood insurance coverage outstanding and in force at any given time cannot exceed \$2.5 billion.

## REPORT TO THE PRESIDENT

*Section 1221.*—Directs the Secretary to include a report on the operations of the flood insurance program provided for under this act in his annual report to the President for submission to the Congress.

## CHAPTER II—ORGANIZATION AND ADMINISTRATION OF THE FLOOD INSURANCE PROGRAM

### ORGANIZATION AND ADMINISTRATION

*Section 1230.*—Directs the Secretary, after such consultation with representatives of the insurance industry as may be necessary, to implement the flood insurance program by providing for an industry program with Federal financial assistance. In the event this program proves unworkable, the Secretary is directed to provide for a Federal program with industry assistance.

## PART A—INDUSTRY PROGRAM WITH FEDERAL FINANCIAL ASSISTANCE

## INDUSTRY FLOOD INSURANCE POOL

*Section 1231(a).*—Authorizes the Secretary to encourage and assist private insurers to join together in a pool to provide flood insurance coverage and to participate financially in underwriting the risks assumed and in assuming responsibility for some proportion of claims for losses.

*Section 1231(b).*—Authorizes the Secretary to prescribe requirements for private insurers participating in the pool, including, but not limited to, minimum requirements for capital or surplus or assets.

## AGREEMENTS WITH FLOOD INSURANCE POOL

*Section 1232(a).*—Authorizes the Secretary to enter into agreements with any insurance pool as he deems necessary to carry out the purposes of this act.

*Section 1232(b).*—Provides that any agreement with a pool shall specify the terms and conditions under which: (1) Risk capital will be available for the adjustment and payment of claims, (2) the pool and its participants will participate in premiums received and profits or losses, (3) the maximum amount of profit which may be realized as established by the Secretary under section 1212, (4) operating costs prescribed under section 1212 and allowances are to be paid, and (5) premium equalization payments and reinsurance claims will be paid.

*Section 1232(c).*—States that the agreements will also contain such provisions as the Secretary finds necessary to assure that: (1) No qualified insurer wishing to participate in the pool will be excluded, (2) insurers participating in the pool will provide continuity of flood insurance coverage, and (3) other insurance companies, agents, and brokers will to the maximum extent practicable be permitted to cooperate with the pool as fiscal agents or otherwise on a non-risk-sharing basis. This section assures that no insurance companies shall be excluded from the program on the basis of considerations such as size.

## JUDICIAL REVIEW

*Section 1233.*—Authorizes private insurers participating in the pool to adjust and pay claims for losses and permits any claimant, upon disallowance of a claim, or upon the claimant's refusal to accept the amount allowed on a claim, to institute an action, within 1 year after notice of disallowance is mailed, in the U.S. district court for the district in which the insured property or the major portion of it was situated. Jurisdiction would be conferred on the district court without regard to the amount in controversy. Claimants could also avail themselves of legal remedies in State courts.

## PREMIUM EQUALIZATION PAYMENTS

*Section 1234(a).*—Directs the Secretary, on such terms and conditions as he shall provide, to make periodic payments to the pool in recognition of any reductions made in chargeable premium rates



under estimated risk premium rates in order to provide flood insurance on reasonable terms.

*Section 1234(b).*—Provides that payments for a share of the claims paid in a given period will be based on the aggregate amount of flood insurance retained by the pool after ceding reinsurance in accordance with section 1235.

Subject to the limiting terms and conditions of the basic agreement between the Secretary and the pool under section 1232, the Secretary is also authorized to make payments to the pool for a proportionate amount of applicable operating costs (including only administrative expenses) and allowances on the same ratio basis as used to determine the sharing of claim payments.

*Section 1234(c).*—Authorizes the Secretary to establish designated pay periods and the methods for determining the sum of premiums paid or payable during such periods.

#### REINSURANCE COVERAGE

*Section 1235(a).*—Authorizes the Secretary to take such action as may be necessary to make available reinsurance coverage to the insurance pool for excess losses.

*Section 1235(b).*—Authorizes entering into contracts, agreements or other arrangements to provide reinsurance, in consideration of premiums, fees, or other charges as the Secretary finds necessary to cover anticipated losses.

*Section 1235(c).*—Authorizes the Secretary to negotiate an excess loss agreement with the insurance industry pool whereby claims above a certain limit will be submitted to the Secretary on a portfolio basis, and paid by the Federal Government.

*Section 1235(d).*—Provides that reinsurance claims must be submitted on a portfolio basis, in accordance with terms and conditions as may be established by the Secretary.

*Section 1235(e).*—Provides that such pool shall make no distribution of earnings for a period of up to 5 years based on flood insurance premiums, unless the aggregate cumulative premiums, fees, or other charges established for excess loss reinsurance under subsection (b) and collected for deposit in the national flood insurance fund exceeds the aggregate cumulative expenses paid for reinsurance claims by such fund.

### PART B—GOVERNMENT PROGRAM

#### FEDERAL OPERATION OF THE PROGRAM

*Section 1240(a).*—Authorizes the Secretary, after consultation with representatives of the insurance industry if he makes a determination that the flood insurance program cannot be effectively carried on through the insurance pool, to take the necessary steps to operate the program through the facilities of the Federal Government, either by: (1) Utilizing insurance companies, other insurers, agents, brokers, and adjustment organizations as fiscal agents of the United States, (2) by utilizing employees of the Department of Housing and Urban Development or other Government employees (by arrangement with the

heads of other agencies), or (3) by a combination of alternatives (1) and (2) above.

*Section 1240(b).*—Provides that at least 90 days before an all-Federal program of insurance is entered into by the Secretary, during all of which time Congress shall be in session, he shall make a report to the Congress which will: (1) State the reasons for his determination that a program under the industry-Government option in part A cannot be carried out, (2) support such determination by pertinent findings, (3) indicate the extent to which he anticipates the industry will be utilized in the all-Federal program, and (4) make any other recommendations he deems advisable.

#### ADJUSTMENT AND PAYMENT OF CLAIMS

*Section 1241.*—Authorizes the Secretary to adjust and pay claims, and authorizes any claimant, upon disallowance of a claim, or upon refusal of the claimant to accept an amount allowed, to institute an action, within 1 year after notice of disallowance or partial disallowance, is mailed, in the U.S. district court for the district in which the insured property or the major portion of it was situated. Jurisdiction would be conferred on the district court without regard to the amount in controversy.

### PART C—PROVISIONS OF GENERAL APPLICABILITY

#### SERVICES BY INSURANCE INDUSTRY

*Section 1245(a).*—Provides legal authority for the Secretary to enter into the necessary arrangements with the insurance industry to implement the flood insurance program set forth in the act, including provisions for payment of applicable operating costs and allowances for such facilities and services.

*Section 1245(b).*—Exempts any such arrangements from any provisions of Federal law requiring competitive bids or requiring that contracts or purchases of supplies or services by the Federal Government be made only after advertisement is provided for a sufficient time to allow competitive proposals to be made.

#### USE OF INSURANCE POOLS, COMPANIES, OR OTHER PRIVATE ORGANIZATIONS FOR CERTAIN PAYMENTS

*Section 1246(a).*—Authorizes the Secretary to enter into contracts with any pool, insurance companies, or other private organizations he finds acceptable for use as fiscal intermediaries. Such intermediaries could (1) estimate and determine amounts of Federal payments, and (2) audit participating insurers, agents, brokers, or adjustment organizations, as may be necessary to assure that proper payments are made.

*Section 1246(b).*—Provides that any contract may contain provisions necessary to carry out the Secretary's responsibilities, under the provisions of the act.

*Section 1246(c).*—Provides that contracts authorized by this section would be exempted from any provisions of Federal law requiring competitive bidding or requiring that contracts or purchases of supplies



or services by the Federal Government be made only after advertisement is provided for a sufficient time to allow competitive proposals to be made.

*Section 1246(d).*—Requires a finding by the Secretary that the contracting party can perform its obligations efficiently and effectively before a contract can be entered into.

*Section 1246(e).*—Provides that the Secretary is authorized to require a surety bond from any organization performing responsibilities under the authority granted and any of its officers and employees. No individual designated to certify payments will be liable with respect to payments certified by him in the absence of gross negligence or intent to defraud the United States. No officer disbursing funds in accordance with a proper certification of payments would be liable with respect to such payments in the absence of gross negligence or intent to defraud the United States.

*Section 1246(f).*—Specifies that contracts will be automatically renewable from year to year in the absence of notice from either party as to termination, except that the Secretary may terminate a contract after reasonable notice if he determines that the other party has substantially failed in its obligations or in carrying them out in a manner inconsistent with the efficient and effective administration of the flood insurance program.

#### SETTLEMENT AND ARBITRATION

*Section 1247(a).*—Authorizes the Secretary to make final determination and settlement of any claims arising from the financial transactions which he is authorized to carry out under the act. The Secretary may, however, refer such disputes to arbitration.

*Section 1247(b).*—Specifies that this arbitration would only be advisory in nature.

#### RECORDS AND AUDIT

*Section 1248(a).*—Provides that any flood insurance pool receiving financial assistance under the program, and any pool, company, or other private organization which has entered into any contract, agreement, or other arrangement with the Secretary under parts B and C of chapter II, shall keep such records as the Secretary prescribes. Such records are to fully disclose the total costs of the programs undertaken or services rendered, so as to facilitate an effective audit.

*Section 1248(b).*—Provides that the Comptroller General and the Secretary (or their duly authorized representatives shall have access to any books, documents, papers, and records of the pool, insurance company or other private organizations, which are pertinent to the costs of the programs set forth in this act.

### CHAPTER III—COORDINATION OF FLOOD INSURANCE WITH LAND-MANAGEMENT PROGRAMS IN FLOOD-PRONE AREAS

#### IDENTIFICATION OF FLOOD-PRONE AREAS

*Section 1260.*—Authorizes the Secretary, utilizing the Army Corps of Engineers, the Geological Survey, the Soil Conservation Service,

the Environmental Science Services Administration, TVA, and other Federal departments and agencies, to identify and publish information within 5 years after the effective date of the act with respect to all flood plain areas, including coastal areas in the United States, which have special flood hazards. The Secretary is also required to establish within 15 years, flood risk zones in these areas and to make estimates with respect to the rates of probable flood-caused loss for the various flood risk zones for each area.

#### CRITERIA FOR LAND MANAGEMENT AND USE

*Section 1261(a).*—Authorizes the Secretary to carry out studies or investigations with regard to the adequacy of State and local measures in flood-prone areas, as to land management and use, flood control, flood zoning, and flood damage prevention.

*Section 1261(b).*—Provides that these studies and investigations deal with laws, regulations, or ordinances relating to encroachments and obstructions on stream channels and floodways, the orderly development and use of flood plains of rivers or streams, floodway encroachment lines or flood plain zoning, building codes, building permits, and subdivisions or other building restrictions.

*Section 1261(c).*—Provides that based on his studies and investigation, the Secretary is authorized to develop comprehensive criteria designed to encourage, where necessary, the adoption of permanent State or local measures which will lessen the exposure of property and facilities to flood losses, improve the long-range management and use of flood-prone areas, and inhibit, to the maximum extent feasible, unplanned and economically unjustifiable future development in such areas. The Secretary is also authorized to work closely with and provide any necessary technical assistance to State, interstate, and local governmental agencies to encourage the application of such criteria and the adoption and enforcement of such measures as may be necessary to help in reducing any unnecessary damages resulting from floods.

#### PURCHASE OF CERTAIN INSURED PROPERTIES

*Section 1262.*—Authorizes the Secretary to negotiate with owners of real property covered by flood insurance which are located in any flood-risk area, and damaged substantially beyond repair by flood, for the purchase of such property. The Secretary is then authorized to transfer such property to those State or local agencies agreeing to use the property for at least 40 years for those purposes as the Secretary may, by regulation, determine to be consistent with sound land use and management. This authority is voluntary and no property owner would be required to sell or lease his property to the Secretary.

### CHAPTER IV—APPROPRIATIONS AND MISCELLANEOUS PROVISIONS

#### STUDIES OF OTHER NATURAL DISASTERS

*Section 1270(a).*—Authorizes the Secretary to make studies to determine the extent to which insurance protection against earthquakes or other natural disasters is not available and the feasibility of making such protection available.



*Section 1270(b).*—Provides that studies under this section be made in cooperation with other Federal, State, or local agencies, and authorizes the Secretary to enter into agreements for the conduct of such studies with other Federal agencies, on a reimbursement basis, or with State and local agencies.

#### PAYMENTS

*Section 1271.*—Vests discretion in the Secretary to make payments under this program in advance of their actual need, or by way of reimbursement.

#### GOVERNMENT CORPORATION CONTROL ACT

*Section 1272.*—Makes the provisions of the Government Corporation Control Act applicable in the administration of the flood insurance program to the same extent as applicable to wholly owned Government corporations.

#### FINALITY OF CERTAIN FINANCIAL TRANSACTIONS

*Section 1273.*—Provides that any financial transaction under this act or payment received or made in connection therein shall be final and conclusive upon all officers of the Government.

#### ADMINISTRATIVE EXPENSES

*Section 1274.*—Provides that any administrative expenses of the Federal Government in carrying out the flood insurance program may be paid out of appropriated funds.

#### APPROPRIATIONS

*Section 1275(a).*—Authorizes the appropriations necessary to carry out the flood insurance program, including sums to cover administrative expenses and to reimburse the national flood insurance fund for premium equalization payments and reinsurance claims paid out of the fund.

*Section 1275(b).*—Provides that these funds shall be available without fiscal year limitation.

#### EFFECTIVE DATE

*Section 1276.*—Provides for the act to become effective 120 days following the date of enactment, except that the Secretary is authorized to extend the effective date up to 180 days after enactment if he finds conditions necessitate a long preparatory period.

#### TITLE XIII—INTERSTATE LAND SALES

##### SHORT TITLE

*Section 1301.*—Provides that this title may be cited as "The Interstate Land Sales Full Disclosure Act".

## DEFINITIONS

*Section 1302.*—Defines the terms contained in this title.

## EXEMPTIONS

*Section 1303(a).*—Provides for specific exemptions from the provisions of the act.

*Section 1303(b).*—Provides that the Secretary of HUD may make exemptions from any of the provisions of the act if he finds the coverage is not necessary in the public interest and for the protection of purchasers due to the small amount of the offering or its limited character.

## PROHIBITIONS RELATING TO THE SALE OR LEASE OF LOTS IN SUBDIVISIONS

*Section 1304(a).*—Makes it unlawful for any developer or agent engaged in interstate commerce (1) to sell or lease any lot unless a statement of record is in effect pursuant to section 1307 and a printed property report is furnished to each purchaser in accordance with section 1308; (2) to employ any device, scheme, or artifice to defraud; to obtain money or property by means of a misrepresentation with respect to information in the statement of record or the property report or any other information; or to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit on the purchaser.

*Section 1304(b).*—Provides that a purchaser may revoke a contract or agreement of purchase if he is not given a copy of the property report before or at the time of his signing the contract. Where the purchaser does not receive the property report 48 hours before signing the contract, he may revoke it within 48 hours, unless the purchaser read the property report, and inspected the lot to be purchased before signing the contract and so stipulates in writing.

## REGISTRATION OF SUBDIVISIONS

*Section 1305(a).*—Provides that a subdivision may be registered by filing a statement of record with the Secretary meeting the requirements of the act and the rules and regulations prescribed by the Secretary.

*Section 1305(b).*—Provides for payment to the Secretary by the developer of a registration fee not in excess of \$1,000 in accordance with a schedule to be fixed by regulations of the Secretary.

*Section 1305(c).*—Provides that the filing of a statement of record or an amendment takes place on its receipt accompanied by payment of the fee provided in subsection (b).

*Section 1305(d).*—Requires that information contained in or filed with a statement of record be available to the public under regulations prescribed by the Secretary.

## INFORMATION REQUIRED IN STATEMENT OF RECORD

*Section 1306.*—Provides that the statement of record shall contain certain information and be accompanied by certain specified documents.



## TAKING EFFECT OF STATEMENTS OF RECORD OR AMENDMENTS THERETO

*Section 1307(a).*—Provides that a statement of record, or any amendment, shall take effect on the 30th day after filing or at an earlier date if the Secretary so determines. When additional lands are offered for disposition, a developer may consolidate the statement with any prior statement of record offering subdivided land under the same promotional plan.

*Section 1307(b).*—Provides that the Secretary advise the developer within a reasonable time if the statement is materially defective. Such notification suspends the effective date until 30 days after a corrective filing is made. The developer may, however, request a hearing which must be held within 20 days of the Secretary's receipt of the request.

*Section 1307(c).*—Requires the developer to file an amendment to a statement if any change occurs subsequent to its effective date which affects any material fact required to be contained in the statement.

*Section 1307(d).*—Permits the Secretary to suspend a statement of record if it appears to him that it includes an untrue statement of a material fact or omits to state a material fact required to be stated or necessary to make the statement not misleading.

*Section 1307(e).*—Empowers the Secretary to make an examination to determine whether an order should be issued under subsection (d) and allows him to have access to and demand production of any relative books and papers of the developer, his agent, or any other person when the matter is relevant to the examination.

*Section 1307(f).*—Permits any notice required under section 1307 to be sent to or served on the developer or his authorized agent.

## INFORMATION REQUIRED IN PROPERTY REPORT

*Section 1308(a).*—Provides that a property report shall contain any information in the statement of record that the Secretary deems necessary, as well as any other information prescribed under rules and regulations of the Secretary as necessary or appropriate.

*Section 1308(b).*—Requires that the property report not be used for any promotional purposes before the statement of record becomes effective and then only if used in its entirety. States that no person may advertise or represent that the Secretary approves or recommends the subdivision.

## COOPERATION WITH STATE AUTHORITIES

*Section 1309(a).*—Provides that the Secretary of Housing and Urban Development shall cooperate with State authorities responsible for regulating the sale of lots in subdivisions subject to the act. It permits the Secretary to accept for filing under, and declare effective as a statement of record, material filed with and found acceptable by such authorities.

*Section 1309(b).*—Provides that nothing in the act shall affect the jurisdiction of any State real estate commission.

## CIVIL LIABILITIES

*Section 1310.*—Provides for civil liabilities against a developer or agent who sells or leases lots in a subdivision in violation of the provisions of the act.

## COURT REVIEW OF ORDERS

*Section 1311(a).*—Permits any person aggrieved by an order or determination of the Secretary, which was issued after a hearing, to obtain review in the U.S. court of appeals for the circuit in which the person resides or has his principal place of business or in the U.S. Court of Appeals for the District of Columbia.

*Section 1311(b).*—Provides that commencement of proceedings under subsection (a) will not stay the Secretary's order unless specifically ordered by the court.

## LIMITATION OF ACTIONS

*Section 1312.*—Bars the bringing of an action to enforce any liability created under section 1310 (a) or (b) (2) unless it is brought within 1 year after discovery of the untrue statement or the omission or after the discovery should have been made. If the action is to enforce a liability established under section 1310(b) (1), it must be brought within 2 years after the violation upon which it is based. No action under the act may be brought more than 3 years after the sale or lease of the property.

## CONTRARY STIPULATIONS VOID

*Section 1313.*—Provides that any condition, stipulation, or provision requiring a person to waive compliance with the act, or rules and regulations of the Secretary pursuant to it, shall be void.

## ADDITIONAL REMEDIES

*Section 1314.*—Provides that rights and remedies under the act are in addition to other rights and remedies at law or equity.

## INVESTIGATIONS, INJUNCTIONS, AND PROSECUTION OF OFFENSES

*Section 1315(a).*—Authorizes the Secretary to file suit to prohibit violations of the act or any rule or regulation promulgated pursuant to the act in any U.S. district court or in the U.S. District Court for the District of Columbia. The Secretary is also authorized to transmit evidence concerning prohibited acts or practices to the Attorney General who may institute criminal proceedings.

*Section 1315(b).*—Authorizes the Secretary to initiate investigations to determine if any person has violated or is about to violate the act or rules or regulations prescribed pursuant to it.

*Section 1315(c).*—Empowers the Secretary or his designee to administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memorandums, or other records relevant or material to an investigation or proceeding under the act.



*Sections 1315 (d) and (e).*—Provide for enforcement of subpoenas issued by the Secretary in the U.S. district courts and for procedures concerning attendance and testifying at hearings prescribed by the Secretary.

#### ADMINISTRATION

*Section 1316(a).*—Vests authority and responsibility for administering the act in the Secretary of Housing and Urban Development and gives him authority to delegate any functions, duties, and powers under the act to employees of the Department or to boards of such employees in accordance with the provisions of sections 3105, 3344, 3562, and 7521 of title 5 of the United States Code.

*Section 1316(b).*—Requires that hearings be public and appropriate records be kept.

#### UNLAWFUL REPRESENTATIONS

*Section 1317.*—Provides that the fact that a statement of record has been filed or is in effect does not constitute a finding by the Secretary of Housing and Urban Development that it is true and accurate on its face or that the Secretary has passed on the merits or approved a subdivision.

#### PENALTIES

*Section 1318.*—Establishes penalties for any person who violates the provisions of the act or any rules any regulations issued pursuant to the provisions of the act. The maximum penalty is a fine of not more than \$5,000 or imprisonment for not more than 5 years, or both.

#### RULES, REGULATIONS, AND ORDERS

*Section 1319.*—Authorizes the Secretary of Housing and Urban Development to make, issue, amend, and rescind rules, regulations, and orders necessary or appropriate to the exercise of his functions and powers under the act.

#### JURISDICTION OF OFFENSES AND SUITS

*Section 1320.*—Provides that the U.S. district courts and the U.S. District Court for the District of Columbia shall have jurisdiction of offenses and violations under the act and the rules and regulations prescribed pursuant to it. It provides these courts concurrent jurisdiction with State courts for all suits in equity or at law to enforce liabilities or duties created by this act.

#### APPROPRIATIONS

*Section 1321.*—Authorizes appropriation to carry out the purposes of this act.

#### EFFECTIVE DATE

*Section 1322.*—Provides that the act shall be effective 180 days after enactment.

## TITLE XIV—TEN-YEAR HOUSING PROGRAM

*Sections 1401–1404.*—Adds new provisions to the housing laws requiring the President to submit a report, not later than January 15, 1969, containing a 10-year plan for the national housing needs, along with legislative recommendations for fulfilling these needs. In addition, these sections require annual reports to be made by the President on January 15, 1970, and on each succeeding year through 1978 showing the progress made under the plan and the reasons why, if any, the goals set forth in the plan have not been reached along with estimates of the need for the following year. This title also requires a final report to be submitted by January 15, 1979.

## TITLE XV—MISCELLANEOUS

### MODEL CITIES

*Section 1501.*—Amends section 111(a) of the Demonstration Cities and Metropolitan Development Act of 1966 to authorize an appropriation of \$1 billion for the model cities program for fiscal year 1970. In addition, this section adds an authorization of \$12 million for planning assistance and administrative expenses for the demonstration cities program to be made available for fiscal year 1969.

### URBAN RENEWAL DEMONSTRATION GRANT PROGRAM

*Section 1502.*—Amends section 314(a) of the Housing Act of 1954 to permit demonstration grants to be made to nonprofit organizations for carrying on demonstration projects and other activities for the prevention of slum and blight. (Existing law permits grants to public bodies only.) This section provides that such demonstration undertakings by nonprofit organizations must be consistent with any plans of a local public agency. This section also increases the percentage of the Federal grant from two-thirds of project cost to 90-percent of project cost. This section further increases the amount of capital grant funds available for demonstration projects from \$10 million to \$20 million.

### AUTHORIZATION FOR URBAN INFORMATION AND TECHNICAL ASSISTANCE SERVICES PROGRAM

*Section 1503.*—Amends section 906 of the Demonstration Cities and Metropolitan Development Act of 1966 to authorize an appropriation of \$5 million for fiscal year 1969 and \$15 million for fiscal year 1970 to carry out the purposes of the "Title IX Program" under which matching grants are made to States to help them provide urban information and technical assistance services to communities of less than 100,000 population.

### ADVANCES IN TECHNOLOGY IN HOUSING AND URBAN DEVELOPMENT

*Section 1504.*—Amends section 1010(d) of the Demonstration Cities and Metropolitan Act of 1966 to authorize the appropriation of such money as may be necessary to continue the advances in technology in



housing and urban development programs authorized under section 1010. This section would also permit the letting of research contracts for periods of up to 4 years instead of the present authorized 2-year period.

#### COLLEGE HOUSING

*Section 1505.*—Amends title IV of the Housing Act of 1950 by adding to the existing college housing 3 percent direct loan program a new program of annual grants to cover the difference between the average annual debt service an educational institution is required to pay on borrowings from private sources and the average annual debt service it would be required to pay under the 3-percent rate presently available under the direct-loan program. Annual grants with respect to any project could be contracted to be made for periods up to 40 years. The total amount of annual contracts contracted to be made for this interest rate subsidy could not exceed \$10 million and this amount would be increased by an additional \$10 million on July 1, 1969.

#### FEDERAL-STATE TRAINING PROGRAMS

*Section 1506.*—Amends sections 801, 802, and 805 of title VIII of the Housing Act of 1964 to expand the program to permit grants to States for the training of subprofessional as well as professional persons who will be employed by nonprofit organizations as well as public organizations in the field of housing and community development. This section would also allow grant assistance to be extended to Guam, American Samoa and the Trust Territory of the Pacific in order to meet the needs of these areas for training capable housing and community development technical and professional personnel.

#### ADDITIONAL ASSISTANT SECRETARY FOR HOUSING AND URBAN DEVELOPMENT

*Section 1507.*—Amends the first sentence of section 4(a) of the Department of Housing and Urban Development Act to increase the number of assistant secretaries for such department from five to six.

#### INTERNATIONAL HOUSING

*Section 1508.*—Rewrites section 604 of the Housing Act of 1957 to clarify authority of HUD to: (1) Exchange data on housing and urban development with foreign countries; (2) employ private citizens to participate in intergovernmental and international meetings sponsored or attended by HUD; and (3) accept funds and other donations from international organizations, foreign countries, and private foundations in connection with activities carried on under international housing programs.

#### • LOW-RENT PUBLIC HOUSING—CORPORATE STATUS

*Section 1509 (Technical).*—Amends sections 3 and 17 of the United States Housing Act of 1937 to repeal language which is now obsolete.

## ELIGIBILITY FOR RENT SUPPLEMENT PAYMENTS

*Section 1510.*—Extends eligibility to participate in the rent supplement program to two projects in New York City.

## CONSOLIDATION OF THE LOW-RENT PUBLIC HOUSING IN WASHINGTON, D.C.

*Section 1511.*—Allows the National Capital Housing Authority in Washington, D.C., to consolidate, pursuant to section 15(6) of the United States Housing Act of 1937, into its annual contributions contract for its 8,423 units of low-rent housing under title II of the District of Columbia Alley Dwelling Act, the operating income and operating expense accounts for its 72 units of low-rent housing under title I of such act.

## URBAN RENEWAL PROJECT IN GARDEN CITY, MICH.

*Section 1512.*—Makes local expenditures in connection with the construction of the Florence Primary School in Garden City, Mich., eligible as a local grant-in-aid to the Cherry Hill urban renewal project in Garden City, Mich.

## URBAN RENEWAL PROJECT IN SACRAMENTO, CALIF.

*Section 1513.*—Makes local expenditures in connection with the construction of a storm drainage stem eligible as a local grant-in-aid to the Capitol Mall Riverfront urban renewal project in Sacramento, Calif.

## SELF-HELP STUDIES

*Section 1514.*—Amends section 207 of the Housing Act of 1961 to permit the Secretary of HUD to include the study of self-help in construction, rehabilitation, and maintenance of housing for low-income persons and families in the low-income housing demonstration program. Also directs Secretary of HUD to make a report to Congress within 1 year after date of enactment of this act, setting forth the results of the self-help studies and demonstrations carried out under section 207 with such recommendations as he deems appropriate.

## EARTHQUAKE STUDY

*Section 1515.*—Amends section 5 of the Southeast Hurricane Disaster Relief Act of 1965 to extend the time the Secretary of HUD is required to report his findings and recommendations on earthquake insurance from October 31, 1968 to June 30, 1969.

## TECHNICAL AMENDMENTS

*Section 1516(a).*—Amends section 110(c) of the Housing Act of 1949 to make it clear that urban renewal project funds can be used for "the restoration of acquired properties of historical or architectural value."

*Section 1516(b).*—Amends section 110(d) of the Housing Act of 1949 to make it clear that grant-in-aid credit can be given for expendi-



tures by a public body for the construction of foundations and platforms on air rights sites in urban renewal projects to the same extent that such work could now be done with project funds.

*Section 1516(c).*—Amends section 110(e) of the Housing Act of 1949 to make it clear that the restoration of historic properties can be carried out as an urban renewal project cost for those projects approved for three-fourths Federal grant assistance on a limited project cost basis.

*Section 1516(d).*—Amends section 1101(c)(3) of the National Housing Act to permit amortization of the mortgage term under the medical group practice facilities program to commence after completion of construction of the facility rather than at the time the mortgage is executed.

*Section 1516(e).*—Amends section 213(o) of the National Housing Act to clarify the authority of the Secretary to invest all moneys, not currently needed for the operation of the cooperative management housing insurance fund, in Government bonds or obligations, or in the purchase on the open market of debentures which are the obligation of the fund.

*Section 1516(f).*—Amends section 810(e) of the National Housing Act to permit an individual, who is approved by the Secretary, to be a mortgagor under the FHA section 810 housing program for military personnel or employees or personnel of NASA or AEC research or development installations.

#### HOME OWNERS' LOAN ACT OF 1933

*Section 1517(a).*—Amends section 5(c) of the Home Owners' Loan Act of 1933 to authorize Federal savings and loan associations to invest in time deposits or certificates of deposit in banks insured by the FDIC under regulations issued by the Federal Home Loan Bank Board and also amends section 5(c) to broaden the authority of a Federal savings and loan association to invest up to 1 percent of its assets in loans guaranteed by the Agency for International Development to help finance housing projects or home financing institutions in developing nations outside of Latin America.

*Section 1517(b).*—Amends section 5(c) of the Home Owners' Loan Act of 1933 to permit a Federal savings and loan association to make loans for the construction of new structures related to residential use of the property under the existing exception applicable to property improvement loans.

*Section 1517(c).*—Amends section 5(c) of the Home Owners' Loan Act of 1933 to authorize a Federal savings and loan association to invest in loans to federally supervised financial institutions secured by investments in which the association has statutory authority to invest directly.

#### FEDERAL HOME LOAN BANK ACT

*Section 1518.*—Amends section 12 of the Federal Home Loan Bank Act to authorize Federal home loan banks, subject to regulations by the Federal Home Loan Bank Board, to purchase AID-guaranteed housing loans and to sell participations therein to any blank member.

## FEDERAL RESERVE ACT

*Section 1519.*—Amends section 24 of the Federal Reserve Act to authorize construction loans up to 36 months in length as an exception to the limitation on real estate loans. (Under existing law, such construction loans may not exceed 24 months.)

**Cordon Rule**

In the opinion of the committee, it is necessary to dispense with the requirements of subsection 4 of rule XXIX of the Standing Rules of the Senate in order to expedite the business of the Senate in connection with this report.



## Combined Views of Messrs. Bennett, Tower, and Hickenlooper

### INTRODUCTION

We have joined in the favorable reporting of this bill, the Housing and Urban Development Act of 1968, containing as it does many provisions with which we agree and consider to be constructive additions to, and improvements upon, this Nation's housing and urban-related programs, and others to which we have noted our serious objections during the committee's deliberations on the bill's contents.

Notwithstanding those objections that we have, the subject matter of the committee's efforts, legislation aimed toward fulfilling our country's total housing needs and bettering the living environment of every one of our citizens, is of obvious and overriding importance to every member of the Senate and the constituency that they represent and to our national well-being in general. We feel, therefore, that each member should be afforded the opportunity to inquire into every portion of the bill's contents and make his own individual decision as to its merits or nonmerits. The full exposure of the bill to the collective judgment of the Senate will, we hope, result in the passage of legislation that will provide workable solutions to the perplexing problems facing our country's cities today.

The problems of our cities and communities are many, but one of the greatest single needs is that of decent housing for our less privileged citizens. Tangible future progress in overcoming these housing needs will come about only when there is a maximum application of the skills and resources of our free enterprise system and of the entire private sector. The Federal Government cannot be expected to do the job alone and should not be expected to do so. The skills, the tools, and the resources for the job to be done are available but to a great degree are lying latent for lack of direction and incentive.

The Federal Government must refrain from preempting local business and, very importantly, each individual member of the community, must be encouraged and given the incentive to participate to the fullest. Every member of every family in every one of our cities, towns, and communities, no matter what his financial means or status, will, we feel, respond to the fullest if offered encouragement and, where necessary, a helping hand by the Government rather than being offered only the prospect of complete reliance on the Government.

Legislation must be formulated that will encourage every man to do his best for himself and thus enhance his dignity and self-respect, rather than encouraging the man to do his best to allow his Government to do for him. We must examine closely the path that some would ask us to trod in the name of need and urgency and strive to keep that which is the proper responsibility of the Government and that which is the proper responsibility of the local community, its government and its individual citizens in their proper perspective.

We cannot agree with those who maintain that America's cities are so sick that their only chance for improvement rests on total reliance on the Federal Government, and that they must go hat in hand to Washington for the solution of every ill, real or imagined. To the contrary, the strength and vitality available at the local level can and must be applied to the perplexing problems facing us today.

The bill we have reported is large in content and far-reaching in scope and potential cost, and it is this latter point that gives rise to our greatest reservations. It embodies most of the contents of the Housing and Urban Development Act of 1967 (S. 2700) which was previously reported out by the committee but which was not acted upon prior to the administration's introduction of its 1968 omnibus housing bill. A substantial portion of the bill's contents is devoted to several new programs for Government-assisted housing, both rental and occupant owned, for lower income families. We recognize that if our country's deteriorated neighborhoods are to be upgraded, and their inhabitants provided with decent housing, that a major emphasis and high priority must be assigned to such programs and more risks must be taken, all with the expectation that tangible progress will be forthcoming in the shortest possible time. But in the final analysis, the Government's role in housing activities must be kept in sharp focus.

#### THE GOVERNMENT'S ROLE IN HOUSING

The Federal Government performs an important function in the provision of our country's housing needs, but at the same time, it is to be recognized that such function should be reasonably limited and as precisely defined as possible. Heretofore, along with many of our Republican colleagues, we have expressed the feeling that the Government's role in housing should be that of reinforcement and backup assistance rather than assuming a position of ever-increasing execution and control. We reaffirm our position in this regard.

Past experience in Government housing involvement has shown that there is altogether too little recognition of just who really needs such Government assistance and is justified in receiving it. We now have in existence a Government-assisted housing program that was conceived and enacted purportedly to benefit families at the lower income levels, where assistance is truly needed and justified, but which by experience has tended to accommodate those at the higher end of income eligibility levels, in effect bypassing lower income families. Such a misdirection of program benefits would only be compounded by bending to the continual pressure to permit such eligibility levels to continue and thus enlarge the ranks of those housed to one degree or another with Government assistance beyond all reasonable proportions. We have commented on this program below.

A nation as great as ours with all its resources and capabilities, both in the private and public sectors, has within its means the ability to see that every family is decently housed, but direct Government assistance should be confined to those who are unable to house themselves through their own efforts and means on the private market. To allow otherwise will inevitably result in the undermining of individual responsibility and initiative, contrary to everything for which our form of government stands.



Likewise, the failure to allocate Government resources to those who truly need it will only serve to deprive deserving families of assistance that would otherwise be available.

It is our main concern, therefore, that Government-assisted housing programs, both existing and as would be created in this bill, should not be implemented in such a manner so as to encourage the subordination of individual initiative and responsibility to the Federal Government. Should such programs reach out for families with higher incomes approaching or exceeding the national average instead of benefitting the lower income families most in need of housing assistance today, then the committee's efforts will have missed the target of our concern.

#### PRODUCTION GOALS

We feel that Government-assisted housing should not be allowed to absorb so large a proportion of total possible production in any given year that it will unduly impair the production of private nonassisted housing, and this could be the possible aftermath of unrestrained direct Government involvement in this area. The private sector should not be placed in the position of having to compete with the Government.

The building industry's total productive potential is based on many diverse factors which fluctuate drastically from one period to another. Total housing production, both private and publicly assisted, must of necessity conform to circumstances prevailing at any given time. Any possible level of production depends, among other things, on the prevailing availability of mortgage credit, land, labor, materials, and, of course, the cost factors bearing on each. This pool of resources must be drawn upon by both private and publicly assisted housing, and what is allocated to one must draw away from the other.

The housing to be produced under all Government-assisted housing programs, both existing and as would be created under this bill, is intended to reach a level of 300,000 units during 1969, 400,000 units during 1970, and 500,000 units during 1971, or 1,200,000 units for the 3-year program envisioned by the committee. The administration proposed the construction of 6,000,000 such units over a 5-year period.

The 3-year program is extremely ambitious in itself in that only 1,321,900 private and publicly assisted units were constructed during 1967. It is estimated that the combined figure will increase to 1,430,000 units for 1968. The highest level reached in recent years was 1963 when 1,642,000 units were produced. The initial 1969 goal of 300,000 publicly assisted units compares to a figure of approximately 49,000 such units during fiscal 1966, 57,000 during fiscal 1967, and an estimated 128,000 during fiscal 1968. Thus, this housing comprised about 31½ percent of total production during 1966, 5 percent during 1967, and will increase to an estimated figure of slightly under 10 percent during 1968. If total production during 1969 reaches a level of 1,700,000 units as projected by the administration, then the goal of 300,000 publicly assisted units for that year would result in about 17 percent of total production. If the estimated total production for 1969 remained constant for 1970 and 1971, this percentage of total production made up of publicly assisted units would increase to 23 and 29 percent for these respective years.

In short, it is suggested that Government-assisted housing should increase from 31½ of total production during 1966 to 29 percent of 1971. This obviously reflects a substantially increasing Government involvement in housing, and the prospect for greater competition between the Government and the private sector. We question whether such a trend is supportable if this Nation is to remain one that is dominantly housed on the private market as it historically has been.

Likewise, we would caution that in its push for the fulfillment of its stated production goals, the Government would likely continue, and even increase, its present inclination to extend subsidies to more and more families not in true need of such assistance.

Foundation for our concern in this regard is provided by HUD Secretary Weaver's response to a question during the committee's hearings on why the administration sought the removal of the 70 percent of section 221 (d) (3) limitations for the new lower income homeownership and rental housing programs. He stated:

Let me say that the purpose in presenting this as it is now presented, rather than in following the 70% \* \* \*. The only difference from the program's objective is that by having the more liberal upper limits, you have the possibility of getting a greater volume quicker.

The Secretary is of the opinion that it is justified for Government-assisted housing programs to reach 25-26 percent of total housing production, as would of course be the case if the above mentioned goals are reached, and in order to reach such a goal he is apparently willing to dole out Government subsidies without being inhibited by any consideration of the higher incomes of the families so subsidized. We feel that this degree of liberality is unjustified and should be opposed.

#### FUTURE STUDY

The goal of a decent home and a suitable living environment for every American family, the lower income family in particular, proclaimed by the Congress in 1949 and reaffirmed by the committee will, in our opinion, only be realized when the housing needs of our country's lower income citizens are set apart and identified in such a way that the problem can be attacked in a frontal manner, rather than in a hodgepodge fashion that obscures the causative factors underlying the dilemma facing such families.

A deserving priority in this area must be established. The problems of those that truly need Government housing assistance should be provided an appropriate forum to insure that their needs, thoughts and attitudes are explored to the greatest detail possible. A colloquy must be entered into that reaches out to encompass every tangible factor bearing upon the problem at hand. This would include, among other things, the relative merit and effectiveness of existing programs, the ascertainment of need for new programs, mechanisms, and incentives, and, of course, a thorough explanation of just what is necessary to make possible the maximum involvement of the building industry and the private sector and the affected families themselves.

This bill will create the vehicle for this much-needed inquiry in the form of a National Advisory Commission on Lower Income Housing



(sec. 108) that will carry forward the committee's sharp focus on a national problem area that must not be allowed to drift into inertia and inaction.

#### NATIONAL HOUSING POLICY

The Congress in 1949 recognized the Nation's serious shortage of decent housing, particularly in blighted slum neighborhoods, and declared as "national housing policy" that there should be realized as soon as feasible "\* \* \* the goal of a decent home and a suitable living environment for every American family \* \* \*" and established as Government policy that "\* \* \* private enterprise shall be encouraged to serve as large a part of the total need as it can \* \* \*." The policy to be followed also called for Government housing assistance "\* \* \* to families with incomes so low that they are now being decently housed in new or existing housing \* \* \*."

In the ensuing years since this goal was asserted by the Congress in 1949, the deterioration of housing occupied by families at the lower income levels has by far outpaced the production of decent replacement housing. Government assistance has had a negligible impact on the neighborhoods where such assistance is most needed. Private enterprise has been unable to cope with the bureaucratic entanglements required if such assistance is to be implemented. By some estimates, there now exist in the United States some 5.8 million dwelling units of sub-standard condition, occupied for the most part by families of low income, and it is to the relief of this situation, and the income levels typified by the occupants of this housing, that we have sought to address ourselves to.

The committee has thus reaffirmed the national housing goal set forth in the 1949 Housing Act by prefacing this bill with a "declaration of policy" introduced by the minority calling for the highest priority and emphasis in Government-assisted housing programs for families with incomes so low that they could not otherwise decently house themselves, and requiring, to the greatest extent feasible, that lower income persons be given employment opportunities in conjunction with the construction of housing under such Government programs. This reflects our strong feeling that direct Government housing assistance is justified only when it benefits those of our citizens who demonstrate that they cannot afford decent housing on the private market. Likewise, these citizens must be given more of a chance for participation in the improvement of their living environment than has been the case in the past.

#### ELIGIBILITY FOR GOVERNMENT ASSISTANCE

Viewed in a national perspective, the income that can reasonably be characterized as "lower income" is difficult to define. There are many varying factors that must necessarily go into such a determination. Geographical variations in income have to be recognized. However, by recourse to figures compiled by various sources we feel that reasonable conclusions on this point can be made.

The Census Bureau, in its population survey of March 1967, showed

the following median income breakdown for the 48.9 million families in the United States for 1966:

Annual income	Families	Percentage of total
Under \$3,000.....	7,000,000	14
\$3,000 to \$5,000.....	6,800,000	14
\$5,000 to \$7,000.....	8,700,000	18
\$7,000 to \$10,000.....	11,900,000	24
\$10,000 and up.....	14,500,000	30
Total.....	48,900,000	100

Note: Median income of all families, \$7,400.

The above income breakdown shows that if Government-assisted housing programs are confined to families with annual incomes of \$5,000 and under, as we generally believe they should be, a maximum of 28 percent of our families would possibly be eligible for such assistance.

However, if families making up to \$7,000, or almost the national median income level, are allowed to receive such assistance, then it obviously is to be concluded that 46 percent of all American families, or almost half of all our families, are to be deemed potentially incapable of providing for their own housing needs without some degree of Government assistance. We cannot subscribe to any such conclusion. To the contrary, throughout the entire committee proceedings on both this bill and its predecessor, S. 2700, we have urged that the benefits of the Government-assisted homeownership and rental programs created by this bill be restricted to families at the true lower income levels, or under \$5,000, when the programs are implemented. To not do so would certainly circumvent the need that has been made abundantly apparent to the committee.

We feel that our viewpoint on the matter of income eligibility is supported by other factors as well. Testimony delivered to the committee during its hearings showed the quality of American housing by increments of income as follows:

Annual income	Standard units	Substandard units
Under \$4,000.....	13,558,060	6,333,843
\$4,000 to \$8,000.....	18,991,396	1,827,169
\$8,000 and over.....	12,000,715	312,683

This illustration would serve to show that 75 percent of substandard homes are occupied by families with income of \$4,000 or less.

Since it is generally conceded that most of this country's substandard dwelling units are located in the deteriorated slum neighborhoods of our major cities, some of which experienced riots during 1967 centered in such neighborhoods, it is significant that a survey of 20 such cities by the President's Commission on Civil Disorders showed the median family income in disturbance areas to be \$5,335 for white families and \$4,218 in the case of nonwhite families.



Thus, there is much to indicate that those families with incomes generally \$5,000 and under occupy most of the Nation's substandard housing. If Government assistance is to be utilized to replace such units with standard housing, this is the income range upon which Government assistance should be concentrated. If such assistance is not so restricted, the new lower income housing programs created in this bill will end up benefiting families who can reasonably be deemed capable of providing for their own housing needs to the detriment of those families who truly need such assistance.

#### ASSISTANCE FOR HOMEOWNERSHIP

The most singularly significant provision of this bill is its creation of a new program to assist lower income families to become homeowners (title I, sec. 101). The opportunity for many of these families to own their own homes and escape their status as rentpayers has long been beyond their reach, mainly because of their inability to match their financial means with the necessary purchase and carrying costs. Homeownership contributes to community stability and fosters pride and responsibility in the families that enjoy this most basic of all American traditions. We are in accord with the bill's aim to extend this opportunity to those of our country's lower income families whose possess the desire and potential to own their own homes, but lack sufficient immediate income and counseling to do so.

The opportunity for self-betterment for such families as are appropriately eligible for the program's benefits is at the same time an opportunity for the betterment of entire neighborhoods. There is also presented the opportunity for free enterprise to produce this desperately needed housing through the innovative mechanism created by the bill. We must, however, express our objections to those provisions of the program which we feel will tend to misdirect its benefits.

#### DETERMINATION OF ELIGIBILITY

While many of our Nation's families have incomes so low that they could not be expected to bear the responsibilities and obligations of homeownership, even with Government assistance, we feel that this new program should be so oriented as to reach down to the lowest income levels possible and benefit those in truly deserving circumstances. There is no affirmative safeguard contained in the bill in this regard. It is stated that the bill's eligibility formula will generally cover families with incomes from \$3,000 to \$7,000. We, of course, compare these incomes with the eligibility considerations we have noted above.

Additionally, we point out that the higher figure of \$7,000 can easily be exceeded in that initial program eligibility will be determined by a formula based upon the income eligibility limits presently prescribed for occupants of rental housing under section 221(d)(3) of the National Housing Act. The bill provides that family incomes are not to exceed 70 percent of the section 221(d)(3) income figures for initial eligibility purposes. Once this eligibility criteria is met, a family's income is allowed to exceed the initial eligibility figures, and as such

income increases the monthly subsidy is calculated to decrease. It is additionally provided that 20 percent of the assistance payments contracted for and appropriated will not be subject to the 70 percent limitation, and that \$300 can be deducted from a family's income for each family minor for eligibility purposes. After meeting initial eligibility requirements, the family's income could increase beyond these limits, and income would be recertified every 2 years to adjust the subsidy payment downward.

Without any allowance for the \$300 deduction for minors provision, we point out the following examples of family incomes eligible for program benefits under the bills formula.<sup>1</sup> For purposes of comparison, eligibility limits for rent supplement housing and section 221(h) rehabilitation sales housing for low-income purchasers are shown in parentheses.<sup>2</sup>

City and State	2 persons	3 and 4 persons	5 and 6 persons	7 persons or more
<b>Austin, Tex.:</b>				
70-percent limits.....	\$4,025	\$4,725	\$5,425	\$6,160
Full limits.....	5,750	6,750	7,750	8,800
	(3,200)	(3,400)	(3,800)	(3,800)
<b>Boston, Mass.:</b>				
70-percent limits.....	4,865	5,740	6,615	7,455
Full limits.....	6,950	8,200	9,450	10,650
	(3,600)	(3,800)	(4,100)	(4,400)
<b>Chicago, Ill.:</b>				
70-percent limits.....	5,215	6,125	7,035	7,980
Full limits.....	7,450	8,750	10,050	11,400
	(4,200)	(4,400-4,800)	(5,000-5,200)	(5,400)
<b>Los Angeles, Calif.:</b>				
70-percent limits.....	5,005	5,880	6,720	7,630
Full limits.....	7,150	8,400	9,600	10,900
	(3,600)	(4,400-4,700)	(5,000-5,300)	(5,600)
<b>Milwaukee, Wis.:</b>				
70-percent limits.....	4,760	5,600	6,440	7,280
Full limits.....	6,800	8,000	9,200	10,400
	(4,400)	(4,650-4,900)	(5,150-5,400)	(5,650)
<b>New York, N.Y.:</b>				
70-percent limits.....	5,215	6,125	7,035	7,980
Full limits.....	7,450	8,750	10,050	11,400
	(5,256)	(5,760)	(6,100)	(6,100)

As can be seen, the program will readily be available to families with incomes approaching, and in some cases, exceeding, \$7,000 under the 70-percent limitation, and as we have heretofore noted, some 46 percent of American families have annual incomes of \$7,000 and under. In those instances where the 70-percent limitation is waived, family incomes exceeding \$10,000 would be eligible, notwithstanding that approximately 70 percent of our Nation's families have annual incomes under \$10,000.

The comparable eligibility figures for the rent supplement and section 221(h) rehabilitation programs, which are based upon public housing admission ceilings, are shown in the above table because we by this program. The restricting of this program's benefits to families in need of assistance, and it is these families that should be benefited by this program. The restricting of this program's benefits to families with incomes not exceeding 70 percent of the section 221(d) (3) eligi-

<sup>1</sup> Maximum income limits for occupancy of sec. 221(d)(3) below-market interest rate housing (3 percent), April 1967.

<sup>2</sup> July 1967. Based on public housing admission ceilings.



bility limits would provide these families with a more than reasonable opportunity to better their living environment through homeownership.

However, even if the program's benefits are confined to families with incomes under \$7,000, this assistance will in some cases benefit families too near the national median income level to be justified, to say nothing of the absurdity of extending direct Government assistance to families with incomes in excess of \$7,000, and over \$10,000 in some instances, as would be possible under the bill. This broad program scope must also be viewed in context with the fact that family incomes can exceed initial eligibility levels after occupancy has commenced. The placing of this unwarranted eligibility discretion in the hands of HUD would empower the Government to extend privileged and subsidized status to many of our Nation's families who could, and should, be expected to provide for their own housing needs without Government assistance. It could also be expected that those deserving families at the lower income ranges would lose out in the eligibility competition in all too many instances and thus suffer further disillusionment than they now are living under. There is nothing we need less in Government-assisted housing today than to allow a promising program to end up offering only promises to those deserving such assistance. To allow that 46 percent, or almost half, of our Nation's families must be supported by their Government, to say nothing of 70 percent, is certainly not acceptable in our opinion.

The predecessor of this bill, the committee's bill S. 2700, wherein the lower income homeownership concept was originated, established an eligibility ceiling of 70 percent of section 221(d)(3) limits without the further latitude contained in this bill allowing such limits to be exceeded. We felt that such limits were more than reasonable and urged that within such limits program benefits be generally restricted to families with incomes ranging from \$3,000 to \$5,000. We likewise urge that this bill be so oriented.

#### MORTGAGE TERMS

Several other areas of the program have been expanded in this bill beyond the provisions of S. 2700. The monthly assistance payment to the mortgagee on behalf of the homeowner will be larger, and the mortgage limits will also be larger. We feel that this expansion is neither necessary nor warranted.

In S. 2700, the committee authorized a Government subsidy of the difference between a market interest rate and the equivalent of a 3-percent mortgage. This bill lowers the interest floor to 1 percent, thus increasing the possible subsidy, on the premise that more families at the low end of the income scale (i.e., \$3,600 per year) must be encouraged to undertake the responsibilities of a "adequate" home (i.e., \$12,000 mortgage). Such estimation of "adequacy" would purportedly justify Government assistance to match an income of \$4,800 with a mortgage obligation of \$20,000 simply because assistance could be had under this program. This reasoning would, in our opinion, result in families being urged into a mortgage obligation much larger than they should prudently undertake simply because the Government would provide a subsidy in the form of the difference between what they are capable of

paying and what they will have to pay in order to carry their obligation.

While the program is intended to bring decent housing within the reach of those in such economic circumstances that they cannot obtain such housing on their own, we do not feel that Government assistance should be so stretched as to allow the reasonableness of the mortgage obligation to be pushed to the background in favor of considerations more esthetic than anything else. If this is allowed, as will certainly be possible under this bill, the program will be highly susceptible to a gross mismatching of incomes with mortgage obligations at the taxpayers' expense. The best interests of the lower income family would hardly be served by such a possibility. And equally as important, the best interests of the American taxpayers as a whole would hardly be served by such a misdirected application of their tax dollars.

The proper setting of the interest floor for loans under this program is particularly important since the Government's monthly assistance payment will have to bridge the gap between the program's floor and the prevailing interest rate for money invested in Government-backed mortgages on the private market, which interest rate is currently 6¾ percent and possibly will go higher in the months ahead. Thus, it is apparent that the Government's cost exposure is much greater if its assistance is needed to make up the difference between the 1-percent floor set in this bill and the market rate than it would be if the floor was set at 3 percent as in S. 2700. A 3-percent mortgage is certainly a bargain at today's rates, and we do not feel that the 1-percent interest floor in the bill is reasonable under the circumstances.

Likewise, we do not think that this bill's allowable increase in the mortgage limits over those set out in S. 2700 is reasonable. In S. 2700, the amount of the mortgage could not exceed \$15,000, or \$17,500 in high-cost areas. This bill retained these limits but added the further provision that such limits could be increased to \$17,500 and \$20,000, respectively, for families with five or more members.

The purpose of this program is to assist in providing housing for families at the lower income levels that is adequate in size and modest in construction, but we do not feel that these higher limits reflect a prudent or appropriate degree of modestness in the possible allocation of the program's benefits. We recognize that every lower income family wants the most comfortable surroundings that it can secure, but every other family in the country must of necessity conform its housing to its means. In this instance, the families who are to receive Government assistance should be able to find housing well within the \$15,000 mortgage limitation that will accommodate their families adequately. The bill does allow a \$300 deduction from the bill's income eligibility requirements for each minor child in the family (which amount was set at \$200 in S. 2700), and this will of itself enable the true lower income family to carry a larger mortgage than would otherwise be the case because it would have to apply a smaller amount of its income to monthly mortgage payments. But we see no reason for expanding the benefited family's mortgage eligibility to unjustified levels, with the corresponding increase in the Government subsidy, when the original mortgage limits contained in S. 2700 almost equal the average home mortgage loan carried by American families without the benefit of Government assistance.



## ADDITIONAL ASSISTANCE

There would be created by this bill a national homeownership foundation (sec. 109) the function of which would be to extend technical and limited financial assistance to those private and public organizations organized for the purpose of assisting in the provision of housing and homeownership opportunities for lower income families.

The scope of the Foundation's operation would not be confined just to the implementation of the new programs that would be created under this bill, but rather would include the exploration of new ways to bring about the maximum involvement of the technical and financial resources of the private sector.

There is, we feel, considerable potential in this innovative mechanism, for the thrust of the Foundation's activities would be aimed at encouraging local solutions of local problems by organizations close to, and involved in, community activities. We hope that the Foundation will be given appropriate and necessary latitude to provide a much needed impetus for local initiative and action in this problem area.

## RENTAL AND COOPERATIVE HOUSING ASSISTANCE

The bill includes a new program of Government assistance to eligible, nonprofit, cooperative, or limited-dividend organizations for the development of rental and cooperative housing for lower income families (title II, sec. 201). The need for decent housing for our Nation's disadvantaged citizens is a total need for both rental and occupant-owned housing. However, there are aspects of the program with which we disagree.

The occupants of the housing that would be created under this program would be subject to the same income considerations applicable to the homeownership program, that is, family incomes for initial eligibility purposes, could not exceed 70 percent of the section 221(d)(3) eligibility levels, with the exception that 20 percent of assistance payments authorized and appropriated would be available for projects occupied by tenants with incomes at the full section 221(d)(3) eligibility levels. As is the case with the homeownership program, family incomes could exceed the initial eligibility levels after occupancy. We will suffice it to defer to our previous comments on the far-reaching scope of these eligibility levels, and note our apprehension that this program would possibly be susceptible to favoring families with incomes in excess of those levels truly representative of what we consider to be lower income.

Likewise, we do not feel that there is ample justification for the program's 1-percent interest rate floor on program mortgages. It is contended that if program mortgagors are allowed to make monthly mortgage payments on the basis of a 1-percent mortgage that lower and more affordable rents will be available to lower income tenants. Nevertheless, we feel that this will serve to encourage the construction of higher cost units beyond the adequacy necessary for the lower income families to be housed simply because the Government will subsidize the difference between the cost of the mortgage on a 1-percent interest basis and the prevailing market interest rate actually con-

tracted for. We feel that lower income families will be justly benefited if project mortgagors will confine their activities to housing these families only, and hold unit costs to levels commensurate with the family incomes reflecting a true need for assistance. In this regard, we urge the setting of a 3-percent interest rate floor rather than the 1-percent floor in this bill.

We would add that there is also an element of double subsidy in this program in that up to 20 percent of the units in any one project could be occupied by families receiving rent supplement benefits.

The monthly mortgage payment subsidy under this program would be paid to the mortgagee on behalf of the mortgagor by the Federal Government. Likewise, the Federal Government would simultaneously pay rent supplement benefits to project sponsors on behalf of eligible tenants. Thus, should a sponsor under this program want to place a tenant in a living unit larger than possible under the income eligibility formula, rent supplements could be used to make up the additional rental cost. We doubt the desirability of encouraging this concept of double subsidies.

#### FUTURE OF (221)(d)(3) BMIR

It is our most serious concern that the new rental assistance program might lend itself to perpetuating the shortcomings of the presently existing section 221(d)(3) below-market interest rate program if tighter income limitations are not required, and thus compound 221(d)(3)'s gross misdirection. This program is intended to eventually replace the 221(d)(3) subsidy program even though the latter will not be terminated if this program is enacted into law. Its replacement is certainly well called for, and any program that replaces it should be so oriented as not to contain its obvious shortcomings.

Experience with 221(d)(3) has shown that its income eligibility limits are for the most part minimums and not maximums, and its higher income limits have been inviting targets in the development of projects. The program's purported aim of providing housing for families whose incomes are too high for public housing but too low for standard housing available on the private market has been stretched to such a point that it in fact is actually extending Government-subsidized housing to the country's great middle class where no subsidy is needed or justified.

This need only be illustrated by referring to the examples of full 221(d)(3) income eligibility levels set out in the above table. We feel that the new rental program that would be created under this bill should not be allowed to parallel, or even approach, the distorted eligibility situation prevailing in 221(d)(3), particularly when the benefits of Government assistance tend to gravitate toward the highest eligible incomes, and also keeping in mind that once the initial eligibility requirements are met by a family its income can increase even higher in both the rental and homeownership programs.

#### AUTHORITY FOR ADDITIONAL FUNDING

The bill provides that on July 1, 1969, an additional \$500 million in special assistance authority will become available for use by FNMA, at the President's direction, for the purchase of Government-



backed mortgages requiring special assistance. Due to the lack of a market for section 221(d)(3) BMIR's 3-percent mortgages, the program has had to depend on FNMA's purchase, and thus support, of its mortgages under this special assistance authority.

This direct Federal lending, which is of course at the taxpayer's expense, has thus kept alive a program that subsidizes the housing costs of an income group that by any measure should be able to obtain housing on the private market without Government assistance. It is unconscionable to continue to allow such a misuse of the taxpayer's money, particularly when the financial resources of the country are being strained almost to the breaking point. We are, therefore, opposed to the granting of this additional authority.

#### PRIVATE FNMA

Under title VIII of the bill, the Federal National Mortgage Association (FNMA) would be divided into two separate instrumentalities. One of these would continue secondary market operations under the name of FNMA and would be gradually transitionalized from Federal control to private ownership as contemplated by the 1954 FNMA Charter Act. The special assistance and management and liquidation functions of the present FNMA would be vested in a new federally controlled corporation to be called the Government National Mortgage Associations (GNMA).

The new FNMA would carry forward its vital role of strengthening residential financing by providing flexibility for the marketing of Government-backed mortgages. This function would be further enhanced by the bill's authorization of the issuance by FNMA of securities against pools of FHA-insured and VA-guaranteed mortgages which would be guaranteed by the new GNMA. Private concerns could also issue similar securities that would be eligible, under certain circumstances, for GNMA guarantee. Such securities should present a significant potential for the infusion of yet untapped investment funds into the residential mortgage market.

During the committee's consideration of the bill, we noted that there should be a reasonable amount of regulatory authority retained by HUD over the new FNMA's operations in that the Government would continue to have an interest in the effective functioning of the new corporation. We asked, however, that it be recognized that the new corporation's board and officers should not be unduly encumbered by the vesting of unnecessary power in the hands of the Secretary of HUD over the corporation's internal affairs and policies, and while there is much to be observed during the transition to private ownership, we feel that the bill as now written will allow the Secretary more influence over the corporation than is actually necessary if it is to be a sufficiently private entity. In this connection, the committee approved a minority amendment changing the power to remove a board director for good cause shown from the Secretary of HUD to the President.

It was also felt that the stature and image of the new FNMA would be appropriately enhanced if the corporation's president was appointed by the President during the transition period, and a minor-

ity amendment to this effect was approved by the committee. An amendment was also approved adding a member of the mortgage lending industry to those board members to be appointed by the Secretary of HUD after the transition period.

#### NEW COMMUNITIES

We cannot concur with the inclusion in this bill of a program of Government guarantees for the development of entire new communities (title IV). The program would authorize the Secretary of HUD to guarantee bonds and other obligations issued by developers to finance the cost of acquiring and developing land, after which there would be developed on the land so acquired homes, schools, and the other usual institutions associated with a self-sustaining city or community.

The economic feasibility of such ambitious undertakings is somewhat at doubt, and past experience in this area has revealed a myriad of pitfalls awaiting the unwary. The speculative nature of these large community development programs is of itself reason to doubt the prudence of allowing the Federal Government to pledge its full faith and credit, to the possible cumulative extent of \$500 million, to such undertakings. It is altogether possible that the only solvency inherent in such undertakings will ultimately be that of the Government's financial exposure. We do not feel that there is anything to support allowing the Government's financial resources to be placed in such a position.

This doubtful proposal is being advanced at a time when the housing problems of America's existing cities and communities have not been resolved, and when the Government's financial resources are being stretched in every way possible to extend assistance for the upgrading of our country's deteriorated neighborhoods and the replacement of substandard housing within the cities.

It would be inappropriate, in our opinion, to enlarge the Government's contingent liability in this area when the demands of existing programs are so hard to meet. The homebuilding industry has at its disposal a comprehensive selection of Government housing programs, to which would be added the new lower income programs created by this bill, with which it can undertake the orderly development of quantities of housing ranging from individual structures to entire subdivisions and neighborhoods. The industry possesses the financial resources, when economic feasibility is present, to absorb the necessary costs of land development to implement these programs.

We feel that it is both sufficient and desirable that such development be undertaken within or contiguous to our country's existing cities and communities where existing governmental services and established amenities will be available to the occupants of the housing produced, and likewise, where such housing will enhance and supplement the needs of these cities and communities and their governments. This will certainly result in development activities that are more responsive to local needs than would be the case where entire cities and communities are created that would tend to reflect instead the whims of the Secretary of HUD.



## ADVANCE ACQUISITION OF LAND

Section 603 of the bill would change the definition of land eligible for acquisition by localities to be used for future use from "land planned to be utilized in connection with the future construction of public works or facilities" to "land planned to be utilized in the future for public purposes."

We do not feel that this vague definition is desirable in that it obviously could go well beyond the already flexible limitation of "public works or facilities." Such a new definition would extend the Federal Government's influence over future urban land use to an almost limitless degree.

## SPENDING AUTHORIZATIONS

The committee's setting of spending authorizations for the existing and proposed programs covered by the bill are lower in total than the authorizations proposed by the administration primarily because the committee approved only the first 3 years of its 5-year program. The bill allows a total of \$5.2 billion for a 3-year period rather than the \$7.5 billion over 5 years asked for. Included is \$300 million for both the new lower income homeownership and rental housing programs.

We are in accord with a reasonable emphasis on these new programs if they are in fact administered to fulfill the needs of those of our Nation's families who lack decent housing because of their low incomes. However, our deliberations were made in the shadow of our Government's worst confrontation with budgetary deficits and inflationary pressures in recent history, and the overall massiveness of the bill's potential cost made it imperative in our minds that spending authorizations not be allowed to ignore the priorities that must be established if the Government's financial resources are not to be subjected to unbearable strains. We feel that the bill falls short in this regard.

## URBAN RENEWAL

The bill authorizes \$1.4 billion in urban renewal funds for fiscal 1970, with an additional \$350 million for urban renewal activities in model cities areas for fiscal 1969.

Some 18 years have passed since the initiation of urban renewal's slum clearance concept. This program had as its goal the clearance of slums and blighted neighborhoods for redevelopment with decent housing for the families living in these areas. Such redevelopment was to be achieved by the involvement of, and reliance upon, private enterprise. Decent housing for the affected families, the program's paramount objective, has not been the aftermath of program experience, and private enterprise has over the years found it increasingly difficult to cope with the bureaucratic delays and involvements necessary for participation.

There has been an unrestrained increase in the program's scope over the years since its inception with a paralleling increase in cost. Neighborhood families instead of being rehoused have been subjected to harsh displacement policies. Basically sound residential structures have been razed instead of renovated or rehabilitated. Replacement

housing has for the most part been lavish in construction and out of the financial reach of the lower income families in need of housing. Commercial development has tended to push housing to the background. Since urban renewal's inception in 1949, there has been produced only slightly over 106,000 new dwelling units and 75,000 rehabilitated units in urban renewal areas. Of course, not all of these units have been affordable by neighborhood families.

It is said that this misdirection of program activities will now be reversed and we would view such to be a welcome development, but one which must be seen. It is this failure to provide decent housing that gives rise to our reluctance to further engorge the program with spending authority and allow it to continue its ineffective and wasteful pattern. We feel that our feelings in this regard would be shared by the disillusioned inhabitants of many of our country's urban renewal areas who have come to view the program as their enemy rather than their friend. Many of these people are highly skeptical of this Federal adventure in urban experimentation.

Housing, and housing that is affordable by lower income area residents, must be the future thrust of the program. The bill would amend the Housing Act of 1949 (sec. 513) to provide that "a majority of the housing units provided in urban renewal areas which will be redeveloped for predominantly residential uses \* \* \* shall be standard housing units for low or moderate income families or individuals."

There is presently required a "substantial" number of such units in a predominately residential urban renewal project, but "substantial" has in the past only been construed at 20 percent. The bill would thus require that a "majority" of the housing units in a predominately residential urban renewal project be allocated to low and moderate income housing. We take majority to mean at least 51 percent, which certainly is an improvement over the presently existing 20-percent interpretation.

But, we point out the continuing inclusion of "moderate" income families which impliedly allows program emphasis on housing for families with higher incomes. Our concern is over the housing needs of lower income families. Also, this new "majority" requirement will pertain only to projects that are "predominately residential." Program experience has shown that its basic underlying weakness is that there are not enough "predominately residential" projects. We do not feel that the new language will require an emphasis on such projects, and it is this emphasis that is sorely needed.

#### REHABILITATION

We do not feel that the section 115 rehabilitation grant (sec. 503) and section 312 direct loan (sec. 512) programs should be expanded to cover properties outside of urban renewal and code enforcement areas as the bill provides. Rehabilitation in conjunction with direct loans is potentially the urban renewal program's most effective and appropriate vehicle for the upgrading of deteriorated neighborhoods. There are innumerable dwellings in defined urban renewal project areas, where activity should be concentrated, that should have the benefit of this improvement tool without moving out to other areas.



We take encouragement that these rehabilitation opportunities can receive a greater future emphasis by the bill's increase of the rehabilitation grant maximum from \$1,500 to \$2,500 (sec. 503).

The bill would remove the existing limitations on the acquisition and rehabilitation of residential properties by a local urban renewal agency. This authority has been used for the purpose of demonstrating the feasibility of rehabilitation to area property owners. While we feel that rehabilitation techniques should be used to the greatest possible extent in program activities, we point out that it never was intended that local agencies themselves were to assume the role of the private developer. This authority should be used only where necessary to assure that rehabilitation is not overlooked as an appropriate tool for preserving and upgrading sound properties.

#### MODEL CITIES

The model cities program, as authorized by the Demonstration Cities and Metropolitan Development Act of 1966, is based on the premise that our cities lack adequate resources to deal with their local problems, and that in addition to the existing Federal urban renewal and grant-in-aid programs they must have Federal aid to plan, develop, and carry out new and imaginative proposals to rebuild their blighted areas and solve their every local problem (i.e., housing, jobs, welfare, education, disease, crime, recreation, transportation, etc.).

It is predisposed that local initiative not only cannot bring about a solution of these problems without Federal assistance, but that the cities will not know how to avail themselves of the multitude of Federal programs unless they can have Federal assistance to get Federal assistance. The bill would authorize \$12 million for additional planning grants for fiscal 1969 and \$1 billion for fiscal 1970 for supplementary grants to carry out model cities programs.

After the cities experiment and innovate, the Federal Government will be empowered to pass judgment on every local decision. With the competitive environment surrounding the award process being as it is, those cities that are favored will certainly be the cities that conform the closest to the Government's idea of what is best for them.

At this point in the program's life, 75 cities have received initial planning grants and are in the process of evolving their plans. There were 193 applicants for these grants. It is expected that the second round of planning grants will be awarded to approximately 70 cities out of 159 applicants, and that some 130 to 140 cities in all will be carrying out their programs during the early part of fiscal year 1970.

Only when these plans are fully evolved and available for close scrutiny will the Congress know what is to be called for under this unknown entity. The purpose of the program is illy defined and vague at best, and not only appears to parallel the faltering urban renewal concept, but is equally susceptible to its shortcomings. Yet, this bill unleashes the program with massive spending authority on a promised results, sight unseen, basis.

We do not feel that the Federal Government can bear the financial strain of an open-ended commitment to finance the rebuilding of all

of our country's cities, and yet the cities are being encouraged to believe that this is both feasible and possible, and possible almost overnight. This Nation's budgetary deficit and inflated economy will never be turned back if the Congress is to be continually called upon to sign one blank check in urban experimentation after another.

The problems gratuitously embraced within the scope of this program are real to be sure. But we feel that these problems can best be solved by free enterprise and local initiative without having to pay the price of smothering our cities with a blanket of Federal programs as the model cities program would do. These Federal programs are already available if needed. This committee has devoted extensive thought to the housing problems of our needy citizens and this bill would create new programs to meet this need. We feel that this housing, and other needs, can be provided if approached on a problem-by-problem, rather than city-by-city, basis, and in so doing we would be a lot more likely to be able to afford the cost to our Government.

The Secretary of HUD in commenting on the initial model cities applicants said:

We will be searching for signals from the communities that they have looked long and hard at themselves, that they have discovered solutions that are not the same old stuff, and that they have the capacity for doing what they say they want to do.

We ask that the Congress be afforded the same degree of insight into the model cities program itself before it is turned loose on our country's cities. It is only by first seeing the cities' plans that it can gain such insight. And only then will the prudence of the program's spending authority be ascertainable.

#### PUBLIC HOUSING AND RENT SUPPLEMENTS

The bill would increase authorizations for low-rent public housing annual contributions contracts by \$100 million for fiscal year 1969, and \$150 million each in fiscal years 1970 and 1971 (sec. 203). There would also be made available \$40 million in contract authority for rent supplement payments in fiscal year 1970, and \$100 million for fiscal year 1971.

The long-existing public housing program has been marked by its lack of acceptance by both our local communities and the families housed under the programs. Program projects have for the most part been comprised of large, drab, and unimaginative structures concentrated into areas that themselves take on the character of slums.

The inadequacies of public housing have given rise to various efforts to provide other alternatives for housing low-income families. The rent supplements program was enacted as such an alternative only after its benefits were confined to those with incomes at the public housing eligibility levels. We, of course, are urging that the new Government-subsidized rental program contained in this bill also be so oriented as to reach down toward such income levels. If this is done, the program might be another alternative for accommodating needy families in housing produced by private enterprise and financed in the private market.



The most promising development in public housing is the authority for sale of units to tenant families. This opportunity for ownership was introduced by the minority in 1965 and enacted into law as section 15(9) of the United States Housing Act of 1937.

This concept has been embraced by this bill in section 205, which section would replace the present confinement of purchases to detached or semidetached units and allow the purchase of any living unit if it is suitable for individual ownership. We hope that this mechanism will be utilized to the greatest extent possible in future public housing activities and thus provide tenant families with that most desirable of all alternatives, homeownership.

However, when there are alternatives to be chosen from, there should be a commensurate balancing of spending authority between the different programs. Instead, the bill would increase public housing contract authority to a level that we feel is unjustified, particularly since considerable spending authority is simultaneously given to other programs benefiting lower income families. We oppose this across-the-board spending rush.

#### URBAN INSURANCE

The Federal reinsurance which would be made available through the enactment of this bill (title XI) is necessary only because of the breakdown of law and order in certain areas of the country. While recent rioting and looting have added to the lawlessness, the insurance industry has never been required nor has it been able to provide casualty and property damage insurance without increased rates in some sections of our metropolitan areas. When the losses of organized rioting, arson, indiscriminate and sometimes unrestrained looting are added, the risk exposure cannot be met on the basis of commonly used actuarial insurance procedures without requiring a premium rate which may seem prohibitive in high risk areas.

This situation has forced private insurance companies which have historically shunned Federal Government intervention to accept that intervention if necessary in order to limit their exposure to catastrophic losses as the result of riots and other civil commotion. Unfortunately, there seems to be no reasonable alternative.

A primary governmental responsibility is to maintain law and order and an atmosphere in which private citizens and institutions can function. Law and order have not been maintained and thus private institutions have not been able to satisfy insurance needs without increasing premiums sufficiently to meet claims. These increases have been viewed as making premiums prohibitive.

We cannot accept the view that an insurer is unjustified in requiring premiums sufficient to meet claims. The charge that insurance is not available at "reasonable rates" cannot properly be aimed solely at the insurance industry but more properly at practices encouraged or not sufficiently discouraged through local governmental action or inaction.

*Insurance is not a substitute for law and order*

Insurance or reinsurance is no substitute for maintaining the proper environment which would avoid the necessity of the reinsurance. An ambulance in the valley is no substitute for a railing on the road on the side of a hill. In the absence of a railing, an ambulance can be useful.

We have not opposed the establishment of a Federal program of reinsurance because we feel that if poor governmental policy is at the root of the unrest, the Federal Government should assist in meeting the resulting insurance needs. Without insurance at acceptable rates, business in high-risk areas are disadvantaged. Business firms are less than willing to invest in riot-prone, high-risk areas which are generally the very areas which desperately need business to provide jobs as well as goods and services for the area residents.

*State authority superseded*

While we do not question the need for Federal reinsurance, we seriously question the setting up of a federal system upsetting the present pattern of State regulation. This bill contains authority for such a system.

We find in comparing the proposed legislation as presented to our committee with the recommendations of the President's National Advisory Panel on Insurance in Riot-Affected Areas that there are some significant differences.

*President's Panel recommended limited Federal authority*

The Panel envisioned a cooperative program between the private insurance industry, the State regulatory authorities, and a Federal corporation with the major responsibility and authority residing in the private sector and the States. Nowhere in the recommendations of the report do we find that the Federal agency would have authority to audit individual companies or determine through regulation the records and the form of the records of companies acquiring reinsurance. Nor do we find any suggestion that the Federal corporation be given authority to determine whether an insurer is properly participating in State plans and pools. Moreover, the Panel did not suggest that the corporation could by rules and regulation determine the form and operation of State fair plans nor that any amendments contemplated by State authorities to State fair plans must be submitted to the Federal corporation for its approval. We should also point out, most importantly, that the President's Panel recommended the authority and management of the corporation be in a board of directors which would include industry representatives, State insurance commissioners, public members, and Federal Government representatives. An executive director working under the supervision of the board would manage day-to-day operations.

*Federal executive has full power*

The bill reported by our committee puts full power in an executive director appointed by the President. An advisory board is to be appointed by the Secretary of the Department of Housing and Urban Development. The advisory board has no real management or policy-making authority or status but acts as a consulting body only.

We are concerned that this bill will result in the extension of Federal authority when it is not desirable nor necessary. Some of the authority vested in the Federal Establishment is indicated from the following segments of the bill:

Section 1202(a) vests the management of the corporation in an executive director.



Section 1214 requires State insurance authorities to transmit to the Federal corporation any proposed or adopted plan or any amendments to a plan and gives the corporation authority to modify plan requirements.

Section 1222 authorizes the corporation to determine fees and other charges and increase or decrease such premiums thereafter.

Contracts may include any terms and conditions which the corporation deems necessary.

Section 1223 provides that the Federal corporation shall determine if the programs and insurance coverage provided by States are suitable and, if not, reinsurance shall be denied. This section also permits the corporation to deny reinsurance to any insurance company that it feels is not fully participating in State plans, pools, and other programs.

Section 1234 requires any insurance company which acquires reinsurance from the Federal corporation to supply any information and in such form as the corporation shall prescribe through rules and regulations. This section also authorizes access to any books, documents, papers, and records of any insurance company for examination and audit.

*Federal control not necessary or desirable*

We do not consider these broad extensions of Federal power into the insurance industry necessary to carry out this program nor do we consider them desirable.

We offered amendments which would have transferred some of the power of the management of the program to the board or directors or advisory board but lost on a party line vote. We were able to protect some of the State insurance commissioners authority but not to the degree that we desired.

It is argued that the Federal authority is justified because of the remote possibility that the riot losses covered by the program may exceed the exposure of the insurance industry, the required State contributions, and the reinsurance premium funds. It is important to note that the President's Advisory Panel on Riot Insurance stated in its report: "We do not believe this Nation will experience riots that cause damage approaching the magnitude of these funds." We agree that such losses are not likely and can be avoided and that the remote possibility of a demand on Treasury funds is not sufficient to extend Federal regulatory power throughout the insurance industry.

#### FLOOD INSURANCE

All minority members of the committee were cosponsors of S. 1985, the flood insurance bill which was considered and approved by our committee last year. We feel that the bill approved at that time represented a satisfactory balanced approach using private enterprise to the maximum extent possible while including Federal backing in the event of catastrophic losses. The program was to be based on actuarial principles with private companies bearing risk and absorbing losses within a specified limit as agreed upon by the companies and the Department of Housing and Urban Development. Along with the risk to be accepted by the private firms was included the possibility

of a reasonable rate of profit which would be agreed to by the Secretary of Housing and Urban Development.

On the floor of the Senate, with little discussions and without the approval of industry representatives or the Department of Housing and Urban Development, the bill was amended to prevent any distribution of profits to insurance companies by the pool during the first 5 years of the program unless the amount paid to the national insurance fund as premiums, fees, and other charges were to exceed the insurance claims paid by the fund. It is the amended bill that has been included as title XII of this bill.

Insurance industry spokesmen have expressed their view that the amendment would discourage full participation by insurance companies in the joint program. Such a view is not surprising in light of the fact that according to accepted statistics, expenses and losses during the past 10 years have equaled the premiums earned by stock property-liability insurance companies. It is understandable that such companies would not be overly anxious to participate in a program which does not balance the probability of loss with the possibility of profit.

Of course, we hope that claims for flood damage will not exceed payments for reinsurance and that a reserve will be accumulated in the national insurance fund sufficient to meet any needs. We even look forward to the possibility that after some experience with the program, the private insurance industry may be able to meet needs for flood insurance without Federal assistance. We cannot, however, overlook the possibility of a major disaster or disasters during the first part of the program and do not feel that the whole concept of a cooperative undertaking should be jeopardized on this one point.

We feel that section 1235(e) is unnecessary to assure that private companies will not receive unreasonable profits from the flood insurance program because sections 1212(b)(2) and 1232(a)(3) explicitly state that any profits shall be reasonable as determined by the Secretary of the Department of Housing and Urban Development.

We therefore recommend that it be deleted from the title.

#### INTERSTATE LAND SALES

We concur in the desire of the committee to protect the general public, particularly those living on limited retirement funds, against interstate land sales promoted by unscrupulous developers taking advantage of loopholes in State and Federal laws.

However, we have reason to strongly criticize the manner in which such a legislative proposal became title XIII of this bill. This bill, which places the administrative powers in the Department of Housing and Urban Development rather than in the Securities and Exchange Commission or the Department of Justice, as did other proposals, was not subject to public hearings.

The bill which became title XIII was submitted only 2 weeks before it was accepted by the committee and prior to giving approval.

The subject of Federal legislation dealing with interstate land sales is not new to the committee. We first considered a bill in 1966 and a similar one in 1967. Those bills, which would have placed administra-



tive jurisdiction in the SEC, were significantly different from the measure in the bill we are now reporting, although their intent to eliminate fraudulent or misleading promotional sales of interstate land was the same. In 1966, S. 2672 received little official support, despite the fact that its purpose was not opposed. Federal Government agency comments on the bill were essentially negative as the excerpts quoted below indicate:

**Department of Commerce:**

Although this Department is in full sympathy with the objectives of S. 2672, to prevent fraudulent sales of real estate, we do not recommend its enactment.

Some sellers of land use high pressure tactics and misrepresent their product. Retired persons or those contemplating retirement may often be the victims of these tactics.

However, we do not believe this broad proposal is necessary to cope effectively with the small minority of unscrupulous land subdividers. The bill would add considerably to the cost of homesites, and put a considerable burden on the Securities and Exchange Commission to administer such legislation effectively.

**Department of Justice:**

The Department of Justice recommends against enactment of this legislation.

There is no clear need for new Federal legislation to control land subdivision sales in interstate commerce. In the past few years, a substantial number of convictions have been obtained under 18 U.S.C. 1341. The indictments charged use of the mails by subdivision promoters in furtherance of schemes to defraud purchasers and its suitability for its intended purpose. Similarly, the Federal Trade Commission already has the power, pursuant to 15 U.S.C. 45, after formal complaint and hearing, to issue and enforce cease-and-desist orders against land promoters utilizing false, deceptive and misleading advertising. Accordingly, additional penal sanctions and further administrative remedies at the Federal level are unnecessary.

Real estate transactions traditionally have been regulated by the States in which the property is located. In our view, enactment of local legislation, utilizing existing state real estate commissions and incorporating the full disclosure provisions outlined in the bill, is the appropriate remedy.

**Post Office Department:**

I do believe, however, that the primary solution to these problems can be provided by adequate state legislation. Our records disclose that land frauds occur infrequently in States which have adequate statutory controls which are actively enforced.

The 1967 hearings were held on S. 275 which was, except for minor differences, the same bill. Following the President's consumer message in which he expressed support for the bill, the Federal agencies reversed their oppositions and supported the legislation. There had

been no increase in fraudulent land sales, and several States had improved and strengthened their laws and efforts to deal with the problem. In addition, the National Conference of Commissioners on Uniform State Laws had developed a model bill which was being considered by other States. The bill had not been greatly altered as shown by a statement by Chairman Cohen of the Securities and Exchange Commission when he testified that: "S. 275 differs from the predecessor bill only in certain relatively minor respects."

Especially important is the fact that the bill which received strong support from the Federal agencies also established the Securities and Exchange Commission as the administering Federal agency. Minority members of the Securities Subcommittee questioned this in 1966 in letters to the Post Office Department, the Department of the Interior, the Federal Trade Commission, and the Department of Housing and Urban Development. There was no question by these agencies that the SEC would be best suited for the task. Most interesting is a comment in the reply from the Department which is now to administer the program.

In our view, the Securities and Exchange Commission is best equipped to receive and record the registration statements required under the bill since the Commission already performs a similar role regarding administration and enforcement of registration and disclosure requirements relating to the sale of corporate stocks and other securities.

Mr. Weaver did say in the same letter, however, that his office was equipped to assist the SEC "in resolving any questions that may arise with regard to the land transfer and development data to be submitted by the developers."

Now we are being asked to accept a substantially different bill but with the same intent without any testimony from the Department of Housing and Urban Development of its plans, the cost involved, the probable effectiveness of the measure, or the problems that it may cause legitimate developers and home builders.

Indeed, we asked that a day of hearings be held before the proposal was acted upon. It appeared that approval was not to be delayed even for a day or two. It was accepted, and a hearing after the fact was set for the following Thursday, 2 days later. The hearing was later changed to Friday and finally canceled because those who had expressed a desire to appear at hearings before the bill was considered decided that it would be of little value to testify on a bill that had already received approval by those to whom they were to testify. Hearings were not pressed for.

We do not deny that the provisions on interstate land sales included in this bill are more reasonable than those of former bills. We want to point out our concern, however, that the bill still deals with promotional plans not for the purpose of selling land interstate. It also can be interpreted to deal with projects which may only incidentally or accidentally be involved in advertising which may extend across State lines or an occasional sale to a person living in another State. The bill does provide that the Secretary may utilize discretion in exempting sales of lots which would be covered under the bill. We expect that these



exemptions will be liberal in instances where it can be shown that the properties are not primarily for interstate sale and also where they are located near State boundaries for sale primarily to local residents. We can claim credit for some improvements in the bill as a result of our earlier hearings. We also were able to receive acceptance of an amendment providing that binding contracts could be made without waiting 48 hours after a person has inspected the property and has read the property report as acknowledged by his signature. Despite the improvements made in the title, we feel strongly that the U.S. Senate is entitled to have the benefit of statements from those favoring legislation, those opposing it, and those recommending amendments before enacting major changes in established patterns. This we have not had. In addition, the action taken by the committee is apparently opposed by a large majority of State Governors. In answer to letters written to all 50 Governors on the question of the 1966 SEC proposal of Federal land sales legislation, we received 42 replies, 32 of which opposed the proposed Federal statute and expressed a willingness to take steps needed to handle the problem on a state level. Only four favored the land sales bill requiring registration with a Federal agency, and six gave vague or noncommittal replies.

We respect the desire of State officials to take care of this problem on a State level, and agree with the Attorney General that:

There is no clear need for new Federal legislation to control land subdivision sales in interstate commerce. In the past few years, a substantial number of convictions have been obtained under 18 U.S.C. 1341. The indictments charged use of the mails by subdivision promoters in furtherance of schemes to defraud purchasers by fraudulent representations as to the nature of land purchased and its suitability for its intended purpose. Similarly, the Federal Trade Commission already has the power, pursuant to 15 U.S.C. 45, after formal complaint and hearing, to issue and enforce cease-and-desist orders against land promoters utilizing false, deceptive, and misleading advertising. Accordingly, additional penal sanctions and further administrative remedies at the Federal level are unnecessary.

Real estate transactions traditionally have been regulated by the States in which the property is located. In our view, enactment of local legislation, utilizing existing State real estate commissions and incorporating the full disclosure provisions outlined in the bill, is the appropriate remedy.

WALLACE F. BENNETT.  
JOHN G. TOWER.  
BOURKE B. HICKENLOOPER.

## Individual Views of Mr. Percy

### HOMEOWNERSHIP FOR LOWER INCOME AMERICAN FAMILIES

Last year I received a letter from a Negro mother of seven who once lived in the notorious Pruitt-Igoe public housing project in St. Louis. Now she and her husband own a home of their own. She is a member of the board of the Bicentennial Civic Improvement Corp., which has sponsored an outstanding homeownership program in the Mullanphy Street area of St. Louis. She wrote:

My husband, children and I all feel that homeownership plays a big role in our lives. We feel we have a better stake in this land that is supposed to be ours. We also feel more secure and when we hear the national anthem, it has a better meaning to us. Maybe if more people had homes of their own and felt more secure and free there wouldn't be any riots, at least it is a start to building stable families. The high-rise project we lived in was not and is not the answer to our problem. There are too many people with large, medium, or small families stacked together like a hobo sandwich with no way out, only to be gnawed at until devoured. In the Bicentennial Civic Improvement Corp. we have a followup program. The families are not turned loose, we have programs to fit our needs, we meet together in the alleys, closed streets, or our private "Pub" to solve some of our problems. We have initiated maintenance classes in painting, paperhanging, electrical repairing, etc. These things are done in an orderly manner, no buildup for hatred or spite. I'm so glad for people like Father Shocklee and Father Kohler who think of people and have started a way for low income families to become homeowners.

I know my sons and daughter who are raising a family certainly feel their children will be sound, secure, and solid citizens.

The cherished ideal of homeownership has roots as deep and rich as American's heritage itself. Ever since the Pilgrims set foot on Plymouth Rock, it has been an integral part of our way of life. Thomas Jefferson said shortly after the formation of the Republic,

It is not too soon to provide every possible means that as few as possible shall be without a little portion of land.

However, as we moved from a nation, one-third of whom were homeowners 30 years ago, to now when two-thirds of American families own their own homes, to be a homeowner increasingly meant that you were a middle or upper income person. Lower income families have never been given full opportunity to buy a home of their own.



They did not have the substantial cash downpayment required, the monthly income to pay market interest costs plus principal payments, or the credit rating to warrant a mortgage. In the Housing and Urban Development Act of 1968 the Banking and Currency Committee is simply reaffirming the goal of homeownership for all Americans. This bill provides the means to broaden the range of choice so that millions of American families who now rent, but who yearn to own, may have a reasonable chance to become owners. This important bill is founded upon the rediscovered premise that homeownership can be the means of advancing not only better housing, but a whole host of values desirable in a free society. As these basic premises are strengthened and implemented over the coming years, the Housing and Urban Development Act of 1968 may well come to be regarded as truly landmark legislation.

The values of homeownership are many and varied. Perhaps the most basic are the psychological values—the feelings of security, of identity, of dignity and of belonging—that come from owning a decent home of one's own and from being a responsible member of society. Renting, while preferred by many for various reasons, can seldom produce these psychological gratifications in equal magnitude. And today, those who stand most in need of those psychological gratifications are those who have the least opportunity for attaining them.

The prospect of owning a decent home of one's own can also be an important means for overcoming the "motivation barrier." Characteristically, lower income families feel that they have little or no control over events and their environment. They see little opportunity for advancing to a better condition, either economically or socially. Their behavior focuses on immediate desires, often at the expense of attainable long-range rewards. In short, they feel that nothing they do can make a difference.

An important manifestation of homeownership is a visible new pride in the home. The homeowner, not the tenant, puts out flower boxes, manicures the lawn, and paints the trim. Related to improved maintenance of the individual's home is a respect for the property of others. Homeowners, unlike renters who can walk away from their house or apartment, have an investment. They are not just urban "tent dwellers" or "sharecroppers" as they have been called, paying rent to a slum lord or public housing agency, but owners, building up an estate, modest as it might be. Violence, theft, and vandalism damage that investment. It is thus very much in the homeowner's interest to discourage destruction and to encourage respect for property rights and the law that provides that protection.

Finally, homeownership can be a powerful contributory influence on good citizenship. The homeowner, for the same reason that he takes better care of his property, takes a greater interest in his community. The condition of his neighborhood becomes of greater concern to him. The responsiveness—and responsibility—of local government and his elected officials assume new relevance. It is his voice, more than the renter's, which is heard at the neighborhood meeting or the city council session. Having a tangible stake in his community, he acquires with it a renewed sense of responsibility as a citizen for the welfare of his community, State, and Nation.

Acquiring homeownership does not automatically instill in a poor man a renewed sense of values. Merely receiving a deed does not transform a despairing alienated slum dweller into an aspiring middle-class homeowner. But, over the long run, the fact of homeownership can have an important effect on the family that rises from lower income tenant status to achieve it. That effect will be the strengthening and reinforcement of values and behavior patterns long proven to be conducive to the highest ideals of America and the welfare of its people.

*Importance of this legislation -*

The passage of the National Housing Act in 1934 signaled a new Federal commitment to provide housing for the Nation's citizens. Congress made the commitment explicit 15 years later in the Housing Act of 1949, establishing as a national goal, the realization of a decent home and suitable environment for every American family.

Today, after more than three decades of fragmented and grossly underfunded Federal housing programs, decent housing remains a chronic problem for the disadvantaged urban household. Fifty-six percent of the country's non-white families live in central cities today, and of these, nearly two-thirds live in neighborhoods marked by substandard housing and general urban blight. For these citizens, condemned by segregation and poverty to live in the decaying slums of our central cities, the goal of a decent home and suitable environment is as far distant as ever.

\* \* \* \* \*

To date, Federal building programs have been able to do comparatively little to provide housing for the disadvantaged. In the 31-year history of subsidized Federal housing, only about 800,000 units have been constructed, with recent production averaging about 50,000 units a year. By comparison, over a period only 3 years longer, FHA insurance guarantees have made possible the construction of over 10 million middle and upper income units.<sup>1</sup>

Last year the committee began its housing hearings just a few days after the Newark riot. Representatives of the poor came to Washington and eloquently testified as to the soundness of the homeownership approach. This year the committee began its executive sessions on the bill 1 day before Dr. Martin Luther King's funeral. There has been a sense of urgency and determination in the present consideration of housing legislation rarely seen heretofore. Now the Senate is scheduled to take up the committee bill for consideration while participants of the poor people's campaign are in Washington.

The administration has, wisely, I believe, come to Congress with a 10-year housing goal. Whether one feels the goal is unrealistic either in its optimism or pessimism, I think most people will agree that it is important to have a commitment to a goal and one against which we can mark our progress in the coming years. I personally feel that the goal of 6 million new units in the next 10 years could be speeded up if the Nation truly wished to commit the resources to do so. In the

<sup>1</sup> Report of the National Advisory Commission on Civil Disorders, pp. 257 and 259-260.



meanwhile, I support the administration in its objective of achieving 1.2 million new federally assisted units in the next 3 years. If all sectors of our society join together to meet this challenge, we can succeed, where heretofore we have failed.

I am satisfied that this bill provides some of the tools to accomplish the goal, but much more will be needed than new legislation and additional sums of money. The Department of Housing and Urban Development will have to join the crusade wholeheartedly. It will have to look to new ideas and new programs with the enthusiasm of a Department that is determined to achieve, and that recognizes that the procedures and red tape of the past and present will simply be inadequate for the future. The business community must be willing to experiment with the new programs provided here as well as devise better ways and means to provide low- and moderate-income housing without Federal assistance. Local governments must learn to work with community groups and cut redtape so that programs do not get bogged down in official delay. And most of all, Congress must be responsive to the housing needs of the Nation and this bill's attempt to satisfy those needs. These new programs must be given a chance to work—funds must be appropriated on a large enough scale to permit visibility in the communities and helpful experience to the Department.

My own work on this legislation and that of my colleagues will not end when the bill is enacted into law. I intend along with others to exercise the power of legislative oversight from the minute the bill leaves the President's desk. Too many programs of late have been born with hope and promise only to die a slow death in the bureaucracy of a Federal agency. I shall do everything in my power to see this is not the case with this bill.

#### *Title I—Homeownership*

The committee has done a conscientious job in attempting to establish the necessary procedures to make the homeownership program successful. The interest subsidy provision (first proposed last year by 40 Senators in the National Home Ownership Foundation Act) is a simple and direct way to subsidize the individual to the extent and for the period he needs the subsidy. This is far superior to the awkward subsidization of the building itself. More of our housing programs should be patterned on this principle of subsidizing the individual and then letting him decide the place and type of housing he may desire. Realizing that families who would not otherwise qualify for a FHA guarantee must also be given the opportunity for homeownership, the committee established a credit assistance program for those who are deemed to be capable of homeownership with the assistance of budget, debt management, and related counseling. The credit assistance and counseling provided in the bill are essential to a successful homeownership program. It is vital that the Department of Housing and Urban Development recognizes the importance of these programs and administers them wisely.

A special risk fund has been established to pay claims on insurance under the homeownership program. The committee has also relaxed mortgage insurance requirements so that the needs of the families involved are taken into consideration as well as the actual risk involved.

I am grateful the committee accepted an amendment to the program, over the objections of the Department of Housing and Urban Development, to permit the use of existing housing, on a limited basis, for the first 3 years of the program. This will permit the Secretary to get the program underway almost immediately providing a quicker impact and visibility which are so important to the success of new programs. This provision will also permit the Secretary and his staff to collect a greater amount of experience upon which to base judgments and decisions for the later life of the program when the funds are increased.

### *National Homeownership Foundation*

Thirty-seven Senators, later joined by three others, on April 20, 1967, introduced the National Homeownership Foundation Act, S. 1592. One hundred and twelve Members of the House of Representatives also introduced identical bills.

The introduction of the National Homeownership Foundation Act caused much discussion of the means whereby homeownership for lower income families could be brought about. The bill now before the Senate reflects many of the provisions of S. 1592 as modified by the committee.

While I still prefer the provisions of the National Homeownership Foundation Act, because I feel that bill best addressed itself to the total homeownership needs of our low income citizens, I do strongly support the committee bill. All of the basic principles of S. 1592 have been included to some degree in the committee bill, and many of the specific proposals of the National Homeownership Foundation Act have been adopted by the committee in the new bill. Therefore, it is my hope that the Housing and Urban Development Act of 1968 will receive wide bipartisan support and that all Members of Congress interested in housing problems will do their best to make this new program successful.

The National Homeownership Foundation Act was based upon four fundamental principles:

1. *Homeownership*.—The principle of homeownership as an important value to lower income families has achieved near unanimous acceptance. Title I of the committee bill represents this acceptance. In particular the homeownership subsidy payable to mortgagees which was first proposed in the National Homeownership Foundation Act has been accepted as the vehicle for subsidy payments in the committee bill.

2. *Private sector involvement*.—The principle of private sector involvement and leadership has similarly gained wide acceptance, although variations as to the nature of the involvement are numerous. Section 804 of the committee bill which provides for the sale of mortgage-backed securities is an attempt to tap large pools of funds for the construction of housing in the same way the National Homeownership Foundation debentures would have done. Title IX, the national housing partnership, is another attempt in this bill to bring the full resources of the private sector to bear on housing problems.

3. *Coordinated approach*.—The National Homeownership Foundation Act established the important principle of calling for coordina-



tion of housing and economic opportunity programs. The committee bill has taken this into account by establishing counseling for new and prospective homeowners as well as authorizing the National Homeownership Foundation to assist local community organizations in the establishment of such economic opportunity programs.

4. *Self-help and involvement of the poor.*—The committee bill recognizes the importance of self-help by authorizing as did S. 1592 the use of "sweat equity" so that an individual can contribute to his downpayment by working on his own home. It also permits the homeownership program to be used by community organizations and provides that a reasonable share of interest subsidy funds be made available to those organizations which involve the residents in the planning and execution of the program. The committee bill recognizes the importance of community organizations. Through the new National Homeownership Foundation and the revolving loan fund the bill provides much needed assistance to sponsors of housing projects.

In addition to these four broad principles, many of the specifics of the National Homeownership Foundation Act are also included in the committee bill. These are too numerous to list in their entirety but a few of the most important are: a study leading to low cost homeownership insurance, broadening of title VIII training programs to include persons below the professional level, inclusion of cooperatives in the new program, and a reduction of the interest subsidy as the families' income increases.

The committee bill also creates a National Homeownership Foundation. One element in the original Foundation proposed in S. 1592 was its power to raise funds through the sale of debentures and to channel those moneys into mortgages in the "credit gap" areas in our central cities and rural areas. Coupled with the lending authority would have been a technical assistance service to provide the expertise needed by nonprofit organizations sponsoring homeownership programs at the local level. To bring the benefits of homeownership within reach of lower income families, the Treasury would have made periodic payments to mortgagees in the form of an interest subsidy to aid lower income home buyers in amortizing their mortgages, assistance that would be phased out as family income rose to moderate income levels.

The homeownership interest subsidy provisions of S. 1592, modified and placed in the administration of the Department of Housing and Urban Development by the committee, formed the basis for section 101 of the present bill. The committee preferred to rely upon conventional sources of funds for financing home purchases. As proposed in the present bill, the Foundation is essentially a redesigned and more comprehensive technical assistance service. Its functions are in many ways comparable to those of section 108 of S. 1592, and would be to—

- (1) Carry out a continuing program of encouraging private and public organizations at the national, community, and neighborhood levels in the establishment of housing programs;

- (2) Assist in the formation of organizations the purpose of which is the development and carrying out of housing programs, including the establishment of local or regional development funds for financing housing for lower income families through the pooling of moneys from private sources;

(3) Identify and arrange for the technical and managerial assistance and personnel needed for the successful operation of housing programs by public and private organizations;

(4) Assist public and private organizations in obtaining the mortgage financing, insurance, and other requirements or aids necessary for conducting programs of housing construction, rehabilitation, or improvement for lower income families;

(5) Arrange for, or provide on a limited basis, training for persons in the skills needed in administering programs of homeownership and housing opportunity for lower income families;

(6) Encourage research and innovation, and collect and make available such information as may be desirable to further the purposes of this title, including the sponsoring of seminars, conferences, and meetings, and the establishment of a continuing information program to acquaint lower income families with the means they can use to improve the quality of their housing, as well as the homeownership and housing opportunities available to them;

(7) Assist private and public organizations in establishing, in connection with their homeownership and housing opportunity programs for lower income families, counseling and similar type activities to advise lower income families of the means available to better themselves economically through job training and manpower development programs; and

(8) Perform other similar services in order to further the purposes for which the Foundation was chartered.

In withholding authority for the Foundation to raise funds through the sale of debentures with a Government guarantee, and power to make or participate in homeownership loans in credit-scarce areas, the committee reasoned as follows: Rather than create a new institution for the specific purpose of channeling mortgage funds into these areas, maximum use of existing lenders and Federal programs should first be made. While it is true that the Federal Housing Administration has frequently in the past been unwilling to insure mortgages for lower income families, mortgages initiated by nonprofit organizations, mortgages in declining urban and rural areas, or mortgages involving residential rehabilitation instead of new construction, the first remedy should be to make facilitating changes in the basic FHA legislation, so that they might proceed apace in these areas.

Thus, the committee felt the goal could be attained by (a) providing subsidy assistance to help additional families meet present FHA income requirements; (b) establishing a special new type of mortgage for the benefit of families whose credit records presently disqualify them from access to FHA insurance programs; (c) charging any foreclosures that may result to a special reserve fund financed by congressional appropriations rather than premiums; and (d) giving FHA a new congressional mandate to take risks that in many cities it now seems unwilling to take.

With these modifications, the committee has hypothesized a sharp upturn in FHA's willingness to insure homeownership mortgages for lower income families, and anticipated a new flow of mortgage funds from the private mortgage market into those areas.



Crucial to the accuracy of this prediction will be the performance of FHA. It must move boldly, using the new tools provided in this bill, to make homeownership ultimately a reality for millions of families for whom it is now beyond effective reach. The committee feels that with the new tools it has given to FHA that it should be able to do the job. The committee has requested a report from the Department on FHA's experience after the first 6 months. At that time, the committee will evaluate the program's progress in order to determine whether or not FHA has measured up to the important task given to it.

The other element critical to the success of the committee's hypothesis is the availability of capital in the private housing market to finance the FHA-insured mortgages. No matter how willing FHA becomes to insure homeownership mortgages, there will be no mortgages and no homes unless private lenders come forward with the mortgage funds. Given the extraordinary and damaging scarcity of mortgage money over the last 2 years, there is ground for skepticism as to the competitive attraction of these new mortgages. The decision of the life insurance industries to invest a billion dollars in slum areas is hopeful sign. It must be remembered, however, that the proof of the committee's theory will lie in the number of actual mortgages initiated under the provisions of this bill, and not in a compilation of encouraging words of intent from FHA and the private lending industry.

The possibility of the failure of the committee's theory is noted explicitly in subsection 109(f)(2) of the bill, creating the National Homeownership Foundation. That paragraph reads:

Whenever in its judgement the general unavailability of mortgage funds is sufficiently serious to deter the Foundation from carrying out its objective of expanding homeownership and housing opportunities for lower income families, the Foundation shall, in its annual report or in a separate report to the President and the Congress, state its findings and make such recommendations for alternate means of financing housing for such families as it deems appropriate.

This paragraph indicates that if FHA lags in its implementation of the provisions of this bill, or if private funds are not channeled into homeownership programs for lower income families, the National Homeownership Foundation may come to Congress and ask for the fund raising mortgage lending authority originally provided for in S. 1592. By this device, the committee wisely provided for the possibility that full implementation of the present bill might not be forthcoming. The door was left open to a subsequent expansion of the activities of the Foundation to bridge any credit gap that might then still remain.

It is vitally important that the National Homeownership Foundation chartered by this bill embark on an active, aggressive program for achieving its ends. This will require firsthand efforts and involvement in our urban slums and declining rural areas. It would be tragic if a foundation with a mandate to help lower income families insulated itself from them and their world through bureaucratic lethargy and layers of redtape, or through overdeference to the procedures

and programs of existing Government agencies. There must be a sense of urgency about the Foundation's undertaking that will serve as a stimulating example to other institutions and administrations. Congress should not settle for less.

A brief word should be said about section 109(h) of the bill. This paragraph requires the National Homeownership Foundation to deposit its funds in "financial institutions which are actively engaged in making loans or are otherwise carrying on activities in furtherance of homeownership and housing opportunities for lower income families." What this means, simply, is that the Foundation's moneys will be deposited in banks and savings and loan institutions which are actively investing in housing opportunities for lower income families. While the amount of money involved—\$10 million at the most—is small compared to the needs, this provision nonetheless emphasizes the importance of strengthening lending institutions which are helping low income families. This principle should be implemented in other ways as opportunities present themselves.

#### *Other new programs*

The committee adopted an amendment jointly sponsored by Senator Proxmire and myself which directs the Secretary to require, to the maximum extent feasible, the use of resident labor in the construction of low income housing. Nothing is more defeating to the residents of a low income black neighborhood, often out of work themselves, than to see white construction workers from outside the community arrive every morning to build the new housing in their neighborhood. I fully recognize the many practical problems involved, but nevertheless feel we must do much more in finding ways whereby these individuals can begin to learn a trade. A job of the most menial kind on a construction site could be the work conditioning needed to qualify an individual for a regular apprenticeship program. A variety of programs could be undertaken in this area and I sincerely hope that American labor will join with the Secretary in looking for new and innovative programs to employ ghetto residents in the rebuilding of their own neighborhoods. In many cases, participation in the rebuilding could mean as much, or possibly even more to the neighborhood, than the new units themselves.

While I recognize the desperate need for additional rental units, and support the new rental program, I think it is important to point out that more housing per dollar can be provided in the homeownership program than in any of the rental programs and the social benefit is, of course, immeasurably greater. High land, construction, and maintenance costs all contribute toward the high price of rental housing.

The national housing partnership is the administration's new attempt to bring private enterprise, with all of its expertise and financial resources, into the low and moderate income housing field. The National Homeownership Foundation as proposed in S. 1592 over a year ago, met this same need. I still favor the approach of the comprehensive program of S. 1592 as do 40 Senators, 112 Congressmen, many Governors and hundreds of business, labor, and civic groups. I favor it because I feel the National Homeownership Foundation Act meets more of the varied and complex housing needs of our Nation than any



other proposal to date. While I do not feel the national housing partnership will work as well as the Foundation concept, I sincerely hope that it can be made to work and to achieve its goals. Therefore, I support the partnership proposal and will do all I can to help make it work.

The desperate shortage of competent personnel to administer local nonprofit housing organizations requires immediate and effective implementation of the title VIII program, which section 1506 of this bill would broaden. Without competent administrative personnel, nonprofit and neighborhood organizations will continue to be uncertain risks in homeownership or housing project sponsorship. Since the broadening amendments contained in this bill (originally included in S. 2062) were originally opposed by the Department of Housing and Urban Development last year, I am particularly pleased that it was included in the administration bill this year. This is the kind of cooperation and give and take on both sides that is needed to insure successful programs.

### *Conclusion*

It is no secret that I feel deeply about homeownership for the poor, and I am gratified that ever since I first began work on developing a practical program to make it possible I have received enthusiastic encouragement from almost all quarters. Finding the ways and means for lower income families to own their own homes has required a better understanding of all aspects of urban neighborhood life than I originally possessed. I have learned many things since September 1966 when I first proposed this program, not the least of which was that I was not trying to design merely another housing program, but rather a comprehensive program whereby persons presently poor could begin to lift themselves out of poverty.

The witnesses which testified before our committee last summer and again this year dramatically underscored the importance of providing the bootstraps for millions of low-income Americans who await the chance to pull themselves out of poverty. The excitement of this new program lies in its potential to create the atmosphere in the neighborhoods of our Nation which will encourage the feeling that what one does with his own life does make a difference. The difference in concept that can importantly and dramatically build a better and stronger America by arresting the decline of its urban and rural residential areas is found in the approach that requires plans to come from the neighborhood up rather than from Washington down. We can democratize our cities. We can give people of the ghetto a piece of the action—let them be somebody and have something.

Having made these observations, I give my wholehearted support to the Housing and Urban Development Act of 1968. It represents an outstanding accomplishment by the Housing and Urban Affairs Subcommittee, and by the full Banking and Currency Committee, its members, and its staff. It contains numerous important provisions speaking to a genuine national need—the advancement of homeownership opportunities for those who today cannot hope to achieve and enjoy its benefits. It is my sincere hope that it may gain the overwhelming support of the Senate and be speeded on its way to final enactment. It will constitute, in my judgment, an important step in stabilizing our

declining urban areas. It cannot fail to provide new hope and opportunity for low-income families in both urban and rural areas.

Recently an article appeared in a Washington newspaper explaining a new homeownership program underway here in the District of Columbia. The article dramatically told the story of Mrs. Mary Briscoe who is presently paying \$190 for rent and utilities on a dilapidated frame dwelling. Within 2 months, she will be paying \$135 a month to buy the house that is now being fully rehabilitated. The project is being undertaken by a local community organization using the 221(h) program. The homeowners will come from the ranks of public housing tenants. Mrs. Briscoe's comment was simple, but compelling: "Public housing is all right, but I want something of my own." We will soon be on our way to providing this dream for millions of Americans.

CHARLES H. PERCY.







**S. 3497**

[Report No. 1123]

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IN THE SENATE OF THE UNITED STATES

MAY 15 (legislative day, MAY 14), 1968

Mr. SPARKMAN, from the Committee on Banking and Currency, reported the following bill; which was read twice and placed on the calendar

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**A BILL**

To assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That this Act may be cited as the "Housing and Urban  
4       Development Act of 1968".

5                               DECLARATION OF POLICY

6       SEC. 2. The Congress affirms the national goal, as set  
7       forth in section 2 of the Housing Act of 1949, of "a decent  
8       home and a suitable living environment for every American  
9       family".

10       The Congress finds that this goal has not been fully



1 realized for many of the nation's lower income families;  
2 that this is a matter of grave national concern; and that  
3 there exist in the public and private sectors of the economy  
4 the resources and capabilities necessary to the full realiza-  
5 tion of this goal.

6       The Congress declares that in the administration of those  
7 housing programs authorized by this Act which are designed  
8 to assist families with incomes so low that they could not  
9 otherwise decently house themselves, and of other Govern-  
10 ment programs designed to assist in the provision of housing  
11 for such families, the highest priority and emphasis should  
12 be given to meeting the housing needs of those families for  
13 which the national goal has not become a reality; and in  
14 the carrying out of such programs there should be the fullest  
15 practicable utilization of the resources and capabilities of  
16 private enterprise and of individual self-help techniques.

17 EMPLOYMENT OPPORTUNITIES FOR LOWER INCOME PER-  
18 SONS IN CONNECTION WITH ASSISTED PROJECTS

19       SEC. 3. In the administration of the programs authorized  
20 by sections 235 and 236 of the National Housing Act, the  
21 below-market interest rate program under section 221 (d)  
22 (3) of such Act, the low-rent public housing program under  
23 the United States Housing Act of 1937, and the rent supple-  
24 ment program under section 101 of the Housing and Urban  
25 Development Act of 1965, the Secretary of Housing and

1 Urban Development shall require that, to the greatest extent  
2 feasible, opportunities for employment arising in connection  
3 with the construction or rehabilitation of housing assisted  
4 under such programs be given to lower income persons re-  
5 siding in the area of such housing.

## 6 TITLE I—LOWER INCOME HOUSING

### 7 HOMEOWNERSHIP FOR LOWER INCOME FAMILIES

8 SEC. 101. (a) Title II of the National Housing Act is  
9 amended by adding at the end thereof the following new  
10 section:

#### 11 “HOMEOWNERSHIP FOR LOWER INCOME FAMILIES

12 “SEC. 235. (a) For the purpose of assisting lower  
13 income families in acquiring homeownership or in acquir-  
14 ing membership in a cooperative association operating a  
15 housing project, the Secretary is authorized to make, and  
16 to contract to make, periodic assistance payments on behalf  
17 of such homeowners and cooperative members. The assist-  
18 ance shall be accomplished through payments to mortgagees  
19 holding mortgages meeting the special requirements specified  
20 in this section.

21 “(b) To qualify for assistance payments, the homeowner  
22 or the cooperative member shall be of lower income and  
23 satisfy eligibility requirements prescribed by the Secretary,  
24 and—

25 “(1) the homeowner shall be a mortgagor under a



1 mortgage which meets the requirements of and is insured  
2 under subsection (i) or (j) (4) of this section: *Pro-*  
3 *vided*, That a mortgage meeting the requirements of sub-  
4 section (i) (3) (A) of this section but insured under  
5 section 237 may qualify for assistance payments if such  
6 mortgage was executed by a mortgagor determined not  
7 to be an acceptable credit risk for mortgage insurance  
8 purposes (but otherwise eligible) under subsection  
9 (j) (4) of this section or under section 221 (d) (2) or  
10 234 (c) and accepted as a reasonably satisfactory credit  
11 risk under section 237; and

12 “(2) the cooperative association of which the family  
13 is a member shall operate a housing project, the con-  
14 struction or substantial rehabilitation of which has been  
15 financed with a mortgage insured under section 213 and  
16 which has been completed within two years prior to the  
17 filing of the application for assistance payments and the  
18 dwelling unit has had no previous occupant other than  
19 the family: *Provided*, That assistance payments may be  
20 made with respect to a dwelling unit in an existing coop-  
21 erative project which meets such standards as the Secre-  
22 tary may prescribe, if the family qualifies as a displaced  
23 family as defined in section 221 (f), or a family which  
24 includes five or more minor persons, or a family occupy-  
25 ing low-rent public housing: *Provided further*, That the

1 amount of the mortgage attributable to the dwelling unit  
2 shall involve a principal obligation not in excess of  
3 \$15,000 (\$17,500 in any geographical area where the  
4 Secretary authorizes an increase on the basis of a finding  
5 that cost levels so require), except that with respect to  
6 any family with five or more persons the foregoing limits  
7 shall be \$17,500 and \$20,000, respectively.

8 “(c) The assistance payments to a mortgagee by the  
9 Secretary on behalf of a mortgagor shall be made during  
10 such time as the mortgagor shall continue to occupy the prop-  
11 erty which secures the mortgage. The payment shall be in an  
12 amount not exceeding the lesser of—

13 “(1) the balance of the monthly payment for prin-  
14 cipal, interest, taxes, insurance, and mortgage insur-  
15 ance premium due under the mortgage remaining unpaid  
16 after applying 20 per centum of the mortgagor's income;  
17 or

18 “(2) the difference between the amount of monthly  
19 payment for principal, interest, and mortgage insurance  
20 premium which the mortgagor is obligated to pay under  
21 the mortgage and the monthly payment for principal and  
22 interest which the mortgagor would be obligated to pay  
23 if the mortgage were to bear interest at the rate of 1  
24 per centum per annum.



1       “(d) Assistance payments to a mortgagee by the  
2 Secretary on behalf of a family holding membership in a  
3 cooperative association operating a housing project shall be  
4 made only during such time as the family is an occupant of  
5 such project and shall be in amounts computed on the basis  
6 of the formula set forth in subsection (c) applying the co-  
7 operative member's proportionate share of the obligations  
8 under the project mortgage to the items specified in the  
9 formula.

10       “(e) The Secretary may include in the payment to the  
11 mortgagee such amount, in addition to the amount computed  
12 under subsection (c), (d), or (j) (6), as he deems appro-  
13 priate to reimburse the mortgagee for its expenses in han-  
14 dling the mortgage.

15       “(f) Procedures shall be adopted by the Secretary  
16 for recertifications of the mortgagor's (or cooperative mem-  
17 ber's) income at intervals of two years (or at shorter in-  
18 tervals where the Secretary deems it desirable) for the  
19 purpose of adjusting the amount of such assistance payments  
20 within the limits of the formula described in subsection (c).

21       “(g) The Secretary shall prescribe such regulations as  
22 he deems necessary to assure that the sales price of, or other  
23 consideration paid in connection with, the purchase by a  
24 homeowner of the property with respect to which assistance  
25 payments are to be made is not increased above the ap-

1 praised value on which the maximum mortgage which the  
2 Secretary will insure is computed.

3 “(h) (1) There are authorized to be appropriated such  
4 sums as may be necessary to carry out the provisions of this  
5 section, including such sums as may be necessary to make the  
6 assistance payments under contracts entered into under this  
7 section. The aggregate amount of contracts to make such  
8 payments shall not exceed amounts approved in appropria-  
9 tion Acts, and payments pursuant to such contracts shall  
10 not exceed \$75,000,000 per annum prior to July 1, 1969,  
11 which maximum dollar amount shall be increased by \$100,-  
12 000,000 on July 1, 1969, and by \$125,000,000 on July 1,  
13 1970.

14 “(2) Not more than 20 per centum of the total amount  
15 of assistance payments authorized to be contracted to be  
16 made pursuant to appropriation Acts shall be contracted to  
17 be made on behalf of families whose incomes at the time of  
18 their initial occupancy are in excess of 70 per centum of  
19 the limits prescribed by the Secretary for occupants of  
20 projects financed with mortgages insured under section 221  
21 (d) (3) which bear interest at the below-market interest  
22 rate prescribed in the proviso of section 221 (d) (5).

23 “(3) Notwithstanding the provisions of subsection  
24 (i) (3) (A) with respect to the prior construction or reha-  
25 bilitation of the dwelling, or of the project in which there is



1 a dwelling unit, for which assistance payments may be made,  
2 not more than—

3 “(A) 25 per centum of the total amount of con-  
4 tracts for assistance payments authorized by appropria-  
5 tion Acts to be made prior to July 1, 1969,

6 “(B) 15 per centum of the total additional amount  
7 of contracts for assistance payments authorized by appro-  
8 priation Acts to be made prior to July 1, 1970, and

9 “(C) 10 per centum of the total additional amount  
10 of contracts for assistance payments authorized by ap-  
11 propriations Acts to be made prior to July 1, 1971,  
12 may be made with respect to existing dwellings, or dwelling  
13 units in existing projects.

14 “(i) (1) The Secretary is authorized, upon applica-  
15 tion by the mortgagee, to insure a mortgage executed by a  
16 mortgagor who meets eligibility requirements for assistance  
17 payments prescribed by the Secretary under subsection (b).  
18 Commitments for the insurance of such mortgages may be  
19 issued by the Secretary prior to the date of their execution  
20 or disbursement thereon, upon such terms and conditions  
21 as the Secretary may prescribe.

22 “(2) To be eligible for insurance under this subsection,  
23 a mortgage shall meet the requirements of section 221  
24 (d) (2) or 234 (c), except as such requirements are modi-  
25 fied by this subsection.

1       “(3) The mortgage to be insured under this subsection  
2 shall—

3               “(A) involve a single-family dwelling which has  
4 been approved by the Secretary prior to the beginning  
5 of construction or substantial rehabilitation or a one-  
6 family unit in a condominium project (together with  
7 an undivided interest in the common areas and facilities  
8 serving the project) which is released from a multi-  
9 family project, the construction or substantial rehabilita-  
10 tion of which has been completed within two years  
11 prior to the filing of the application for assistance pay-  
12 ments with respect to such family unit and the unit has  
13 had no previous occupant other than the mortgagor:  
14 *Provided*, That the mortgage may involve an existing  
15 dwelling or a family unit in an existing condominium  
16 project which meets such standards as the Secretary  
17 may prescribe, if the mortgagor qualifies as a displaced  
18 family as defined in section 221 (f), or a family which  
19 includes five or more minor persons, or a family occupy-  
20 ing low-rent public housing: *Provided further*, That the  
21 mortgage may involve a dwelling unit in an existing  
22 project covered by a mortgage insured under section 236  
23 or in an existing project receiving the benefits of finan-  
24 cial assistance under section 101 of the Housing and  
25 Urban Development Act of 1965;



1       “(B) where it is to cover a one-family unit in a  
2       condominium project, have a principal obligation not ex-  
3       ceeding \$15,000 (\$17,500 in any geographical area  
4       where the Secretary authorizes an increase on the basis  
5       of a finding that cost levels so require), except that with  
6       respect to any family with five or more persons the fore-  
7       going limits shall be \$17,500 and \$20,000, respectively;  
8       and

9       “(C) be executed by a mortgagor who shall have  
10      paid (i) in the case of any family whose income is not  
11      in excess of 70 per centum of the limits prescribed by  
12      the Secretary for occupants of projects financed with  
13      mortgages insured under section 221 (d) (3) which bear  
14      interest at the below-market interest rate prescribed  
15      in the proviso of section 221 (d) (5), at least \$200, or  
16      (ii) in the case of any other family, at least 3 per  
17      centum (or such larger amount as the Secretary may  
18      require) of the Secretary’s estimate of the cost of  
19      acquisition, which amount (in cash or its equivalent)  
20      in either instance may be applied for the payment of  
21      settlement costs and initial payments for taxes, hazard  
22      insurance, mortgage insurance premiums, and other  
23      prepaid expenses.

24      “(j) (1) In addition to mortgages insured under the  
25      provisions of subsection (i), the Secretary is authorized,

1 upon application by the mortgagee, to insure a mortgage  
2 (including advances under such mortgage during rehabilita-  
3 tion) which is executed by a nonprofit organization to finance  
4 the purchase and rehabilitation of deteriorating or substand-  
5 ard housing, for subsequent resale to lower income home  
6 purchasers who meet eligibility requirements for assistance  
7 payments prescribed by the Secretary under subsection (b) .  
8 Commitments for the insurance of such mortgages may be  
9 issued by the Secretary prior to the date of their execution  
10 or disbursement thereon, upon such terms and conditions  
11 as the Secretary may prescribe.

12 “(2) To be eligible for insurance under paragraph (1)  
13 of this subsection, a mortgage shall—

14 “(A) be executed by a private nonprofit organiza-  
15 tion, approved by the Secretary, for the purpose of  
16 financing the purchase and rehabilitation (with the in-  
17 tention of subsequent resale) of property comprising one  
18 or more tracts or parcels, whether or not contiguous,  
19 consisting of (i) four or more single-family dwellings  
20 of detached, semidetached, or row construction, or (ii)  
21 four or more one-family units in a structure or structures  
22 for which a plan of family unit ownership approved by  
23 the Secretary is established;

24 “(B) be in a principal amount not exceeding the ap-



1       praised value of the property at the time of its purchase  
2       under the mortgage plus the estimated cost of the re-  
3       habilitation;

4       “(C) bear interest (exclusive of premium charges  
5       for insurance and service charge, if any) at not to exceed  
6       such per centum per annum (not in excess of 6 per  
7       centum), on the amount of the principal obligation out-  
8       standing at any time, as the Secretary finds necessary  
9       to meet the mortgage market;

10       “(D) provide for complete amortization (subject to  
11       paragraph (4) (E) ) by periodic payments within such  
12       term as the Secretary may prescribe; and

13       “(E) provide for the release of individual single-  
14       family dwellings from the lien of the mortgage upon their  
15       sale in accordance with paragraph (4).

16       “(3) No mortgage shall be insured under paragraph  
17       (1) unless the mortgagor shall have demonstrated to the  
18       satisfaction of the Secretary that (A) the property to be re-  
19       habilitated is located in a neighborhood which is sufficiently  
20       stable and contains sufficient public facilities and amenities  
21       to support long-term values, or (B) the rehabilitation to be  
22       carried out by the mortgagor plus its related activities and  
23       the activities of other owners of housing in the neighborhood,  
24       together with actions to be taken by public authorities, will  
25       be of such scope and quality as to give reasonable promise

1 that a stable environment will be created in the neighbor-  
2 hood.

3 “(4) (A) No mortgage shall be insured under para-  
4 graph (1) unless the mortgagor enters into an agreement,  
5 satisfactory to the Secretary, that it will offer to sell the  
6 dwellings involved, upon completion of their rehabilitation,  
7 to lower income individuals or families meeting the require-  
8 ments established by the Secretary under subsection (b).

9 “(B) The Secretary is authorized to insure under this  
10 paragraph mortgages executed to finance the sale of in-  
11 dividual dwellings to lower income purchasers as provided in  
12 subparagraph (A). Any such mortgage shall—

13 “(i) be in a principal amount not in excess of that  
14 portion of the unpaid principal balance of the blanket  
15 mortgage covering the property which is allocable to the  
16 individual dwelling involved;

17 “(ii) bear interest at the same rate as the blanket  
18 mortgage; and

19 “(iii) provide for complete amortization by periodic  
20 payments within a term equal to the remaining term  
21 (determined without regard to subparagraph (E)) of  
22 such blanket mortgage.

23 “(C) The price for which any individual dwelling is sold  
24 under this paragraph shall be in an amount equal to that



1 portion of the unpaid principal balance of the blanket mort-  
2 gage covering the property which is allocable to the dwelling  
3 plus such additional amount, not less than \$200 (which may  
4 be applied in whole or in part toward closing costs and may  
5 be paid in cash or its equivalent), as the Secretary may  
6 determine to be reasonable.

7 “(D) Upon the sale under this paragraph of any indi-  
8 vidual dwelling, such dwelling shall be released from the  
9 lien of the blanket mortgage. Until all of the individual  
10 dwellings in the property covered by the blanket mortgage  
11 have been sold, the mortgagor shall hold and operate the  
12 dwellings remaining unsold at any given time, in such  
13 manner and under such terms as the Secretary may prescribe,  
14 as though they constituted rental units.

15 “(E) Upon the sale under this paragraph of all the  
16 individual dwellings in the property covered by the blanket  
17 mortgage and the release of all individual dwellings from  
18 the lien of the blanket mortgage, the insurance of the blanket  
19 mortgage shall be terminated and no adjusted premium  
20 charge shall be charged by the Secretary upon such  
21 termination.

22 “(5) Where the Secretary has approved a plan of  
23 family unit ownership, the terms ‘single-family dwelling’,  
24 ‘single-family dwellings’, ‘individual dwelling’, and ‘individ-  
25 ual dwellings’ shall mean a family unit or family units,

1 together with the undivided interest (or interests) in the  
2 common areas and facilities.

3 “(6) In addition to the assistance payments authorized  
4 under subsection (b), the Secretary may make such pay-  
5 ments to a mortgagee on behalf of a nonprofit organization  
6 which is a mortgagor under the provisions of paragraph  
7 (1) in an amount not exceeding the difference between the  
8 monthly payment for principal, interest, and mortgage  
9 insurance premium which the mortgagor is obligated to pay  
10 under the mortgage and the monthly payment for principal  
11 and interest such mortgagor would be obligated to pay if the  
12 mortgage were to bear interest at the rate of 1 per centum  
13 per annum.

14 “(k) In determining the income of any person for the  
15 purposes of this section, there shall be deducted an amount  
16 equal to \$300 for each minor person who is a member of  
17 the immediate family of such person and living with such  
18 family, and the earnings of any such minor person shall  
19 not be included in the income of such person or his family.”

20 (b) (1) Section 221 (d) (2) (A) of the National Hous-  
21 ing Act is amended by—

22 (A) striking out “not to exceed (i) \$12,500”  
23 and inserting in lieu thereof “not to exceed (i)  
24 \$15,000 (or \$17,500, in the case of a family with five or  
25 more persons)”; and



1           (B) striking out “not to exceed \$15,000” in the  
2           second proviso and inserting in lieu thereof “not to  
3           exceed \$17,500 (or \$20,000 in the case of a family  
4           with five or more persons)”.

5           (2) Section 221 (d) (2) (B) of such Act is amended  
6 by—

7           (A) inserting “, in cash or its equivalent” before  
8           the semicolon after the words “acquisition cost” in the  
9           first proviso; and

10          (B) inserting before the semicolon at the end  
11          thereof the following: “: *Provided further*, That, if the  
12          mortgagor is the owner and an occupant of the property,  
13          such mortgagor shall to the maximum extent feasible  
14          be given the opportunity to contribute the value of his  
15          labor as equity in such dwelling”.

16          (c) The purchase of any individual dwelling, sold by  
17          a nonprofit organization pursuant to the provisions of section  
18          221 (h) (5) of the National Housing Act after the effective  
19          date of this section, may be financed with a mortgage in-  
20          sured under the provisions of section 235 (j) (4) of such  
21          Act, but such mortgage shall bear interest at the rate pro-  
22          vided in section 235 (j) (2) (c) of such Act.

23          (d) Section 212 (a) of the National Housing Act is  
24          amended by inserting “or section 235 (j) (1)” after “sub-  
25          section (h) (1)” each place it appears.

26          (e) The Secretary of Housing and Urban Develop-

1 ment is authorized to provide, or contract with public or  
 2 private organizations to provide, such budget, debt manage-  
 3 ment, and related counseling services to mortgagors whose  
 4 mortgages are insured under section 235 (i) or 235 (j)  
 5 (4) of the National Housing Act as he determines to be  
 6 necessary to assist such mortgagors in meeting the respon-  
 7 sibilities of homeownership. There are authorized to be  
 8 appropriated such sums as may be necessary to carry out  
 9 the provisions of this subsection.

#### 10 CREDIT ASSISTANCE

11 SEC. 102. (a) Title II of the National Housing Act  
 12 is amended by adding after section 236 (as added by sec-  
 13 tion 201 of this Act) the following new section:

#### 14 "SPECIAL MORTGAGE INSURANCE ASSISTANCE

15 "SEC. 237. (a) The purpose of this section is to help  
 16 provide adequate housing for families of low and moderate  
 17 income, including those who, for reasons of credit history,  
 18 irregular income patterns caused by seasonal employment,  
 19 or other factors, are unable to meet the credit requirements  
 20 of the Secretary for the purchase of a single-family home  
 21 financed by a mortgage insured under section 203, 220,  
 22 221, 234, or 235 (j) (4), but who, through the incentive  
 23 of homeownership and counseling assistance, appear to be  
 24 able to achieve homeownership.

25 "(b) The Secretary is authorized upon application by



1 the mortgagee to insure under this section any mortgage  
2 meeting the requirements of this section.

3 “(c) To be eligible for insurance under this section, a  
4 mortgage shall—

5 “(1) meet the requirements of section 203 (except  
6 subsection (m) ), 220 (d) (3) (A), 221 (d) (2), 221  
7 (h) (5), 221 (i), 234 (c), or 235 (j) (4), except as  
8 such requirements are modified by this section;

9 “(2) involve a principal obligation (including such  
10 initial service charges, appraisal, inspection, and other  
11 fees as the Secretary shall approve) in an amount not to  
12 exceed \$15,000: *Provided*, That the Secretary may in-  
13 crease the amount to not exceed \$17,500 in any geo-  
14 graphical area where he finds that cost levels so require:  
15 *Provided further*, That no mortgage meeting the re-  
16 quirements of section 203 (h) or 203 (i) shall be eligible  
17 for insurance under this section if its principal obligation  
18 is in excess of the maximum limits prescribed in such  
19 subsections;

20 “(3) be executed by a mortgagor who the Secre-  
21 tary has determined, after a full and complete study of  
22 the case, would not be an acceptable credit risk for mort-  
23 gage insurance purposes under section 203, 220, 221,  
24 234, or 235 (j) (4), because of his credit standing, debt

obligations, total annual income, or income characteristics, but who the Secretary is satisfied would be a reasonably satisfactory credit risk, consistent with the objectives stated in subsection (a), if he were to receive budget, debt management, and related counseling: *Provided*, That, in determining whether the mortgagor is a reasonably satisfactory credit risk, the Secretary shall review credit histories of applicants giving special consideration to those delinquent accounts which were ultimately paid by the applicant and to extenuating factors which may have caused credit accounts of the applicant to become delinquent; and the Secretary shall also give special consideration to income characteristics of applicants whose total income over the two years prior to their applications has remained at levels of eligibility (as required under paragraph (4) of this subsection), but who, because of the character of their seasonal employment or for other reasons, have not maintained continuous employment under one employer during that time; and

“(4) require monthly payments which, in combination with local real estate taxes, do not exceed 25 per centum of the applicant’s income, based on his average monthly income during the year prior to his applica-



1       tion or the average monthly income during the three  
2       years prior to his application, whichever is higher.

3       “(d) The Secretary shall give preference in approving  
4       mortgage insurance applications under this section to families  
5       living in public housing units, especially those families re-  
6       quired to leave public housing because their incomes have  
7       risen beyond the maximum prescribed income limits, and  
8       families eligible for residence in public housing who have  
9       been displaced from federally assisted urban renewal areas.

10       “(e) The Secretary is authorized to provide, or contract  
11       with public or private organizations to provide, such budget,  
12       debt management, and related counseling services to mort-  
13       gagors whose mortgages are insured under this section, as he  
14       determines to be necessary to meet the objectives of this sec-  
15       tion. The Secretary may also provide such counseling to  
16       otherwise eligible families who lack sufficient funds to supply  
17       a downpayment to help them to save an amount necessary  
18       for that purpose.

19       “(f) The aggregate principal balance of all mortgages  
20       insured under this section and outstanding at one time shall  
21       not exceed \$200,000,000.

22       “(g) There are authorized to be appropriated such sums  
23       as may be necessary to carry out the provisions of subsec-  
24       tion (e) of this section.”

(b) Section 226 of the National Housing Act is amended by inserting "235 (i), 237," after "234,".

RELAXATION OF MORTGAGE INSURANCE REQUIREMENTS  
IN CERTAIN URBAN NEIGHBORHOODS

SEC. 103. (a) Section 223 of the National Housing Act is amended by adding at the end thereof a new subsection as follows:

"(e) Notwithstanding any provision of this title except section 212, and without regard to limitations upon eligibility contained in any section of this title, the Secretary is authorized, upon application by the mortgagee, to insure under any section of this title a mortgage executed in connection with the repair, rehabilitation, construction, or purchase of property located in an older, declining urban area in which the conditions are such that one or more of the eligibility requirements applicable to the section of this title under which insurance is sought could not be met, if the Secretary finds that (1) the area is reasonably viable, giving consideration to the need for providing adequate housing for families of low and moderate income in such area, and (2) the property is an acceptable risk in view of such consideration. The insurance of a mortgage pursuant to this subsection shall be the obligation of the Special Risk Insurance Fund."

(b) Section 203 (1) of such Act is repealed.



## SPECIAL RISK INSURANCE FUND

2 SEC. 104. (a) Title II of the National Housing Act is  
3 amended by adding after section 237 (as added by section  
4 102 of this Act) the following new section:

"PAYMENT OF INSURANCE—SPECIAL RISK INSURANCE  
FUND

7       “SEC. 238. (a) (1) Any mortgagee under a mortgage  
8 insured under section 235 (i) , 235 (j) (4) , or 237 of this title  
9 shall be entitled to receive the benefits of the insurance as  
10 provided in section 204 (a) with respect to mortgages insured  
11 under section 203. The provisions of subsections (b) , (c) ,  
12 (d) , (g) , (j) , and (k) of section 204 shall be applicable to  
13 mortgages insured under section 235 (i) , 235 (j) (4) , or  
14 237, except that all references therein to the ‘Mutual Mort-  
15 gage Insurance Fund’ shall be construed to refer to the  
16 ‘Special Risk Insurance Fund’, and all references therein to  
17 section 203 shall be construed to refer to the appropriate  
18 section.

19 “(2) Any mortgagee under a mortgage insured under  
20 section 235 (j) (1) or 236 shall be entitled to receive the  
21 benefits of insurance provided in section 207 (g) with  
22 respect to mortgages insured under section 207. The pro-  
23 visions of subsections (d), (e), (h), (i), (j), (k), (l),  
24 and (n) of section 207 shall be applicable to mortgages in-  
25 sured under section 235 (j) (1) or 236, except that all

1 references therein to the 'General Insurance Fund' shall be  
2 construed to refer to the 'Special Risk Insurance Fund' and  
3 the premium charge provided in section 207 (d) shall be  
4 payable only in cash or debentures of the Special Risk  
5 Insurance Fund.

6       “(3) In lieu of the amount of insurance benefits com-  
7 puted pursuant to paragraph (1) or (2) of this subsection,  
8 the Secretary, in his discretion and in accordance with such  
9 regulations as he may prescribe, may (with respect to any  
10 mortgage loan acquired by him) compute and pay insur-  
11 ance benefits to the mortgagee in a total amount equal to the  
12 unpaid principal balance of the loan plus any accrued inter-  
13 est and any advances approved by the Secretary and made  
14 previously by the mortgagee under the provisions of the  
15 mortgage.

16       “(b) There is hereby created a Special Risk Insurance  
17 Fund (hereinafter referred to as the 'fund') which shall be  
18 used by the Secretary as a revolving fund for carrying out  
19 the mortgage insurance obligations of sections 223 (e), 235,  
20 236, and 237, and the Secretary is hereby authorized to  
21 advance to such fund the sum of \$5,000,000 from the Gen-  
22 eral Insurance Fund established pursuant to the provisions  
23 of section 519. Such advance shall be repayable at such  
24 times and at such rates of interest as the Secretary deems  
25 appropriate. Premium charges, adjusted premium charges,



1 inspection and other fees, service charges, and any other  
2 income received by the Secretary under such sections, to-  
3 gether with all earnings on the assets of the fund, shall be  
4 credited to the fund. All payments made pursuant to claims  
5 of mortgagees with respect to mortgages insured under sec-  
6 tions 235, 236, and 237 or pursuant to section 223 (e) , cash  
7 adjustments, the principal of and interest paid on debentures  
8 which are the obligation of the fund, expenses incurred in  
9 connection with or as a consequence of the acquisition and  
10 disposal of property acquired under such sections, and all  
11 administrative expenses in connection with the mortgage  
12 insurance operations under such sections shall be paid out of  
13 the fund. There is authorized to be appropriated such sums  
14 as may be needed from time to time to cover losses sustained  
15 by the fund in carrying out the mortgage insurance obliga-  
16 tions of sections 223 (e) , 235, 236, and 237. Moneys in the  
17 fund not needed for current operations of the fund shall be  
18 deposited with the Treasurer of the United States to the  
19 credit of the fund or invested in bonds or other obligations  
20 of, or in bonds or other obligations guaranteed by, the United  
21 States. The Secretary, with the approval of the Secretary of  
22 the Treasury, may purchase in the open market debentures  
23 which are the obligation of the fund. Such purchases shall be  
24 made at a price which will provide an investment yield of  
25 not less than the yield obtained from other investments au-

1   thorized by this section. Debentures so purchased shall be  
2   canceled and not reissued.”

3       (b) Section 224 of the National Housing Act is amended  
4   by striking out “or section 233” and inserting in lieu thereof  
5   “section 233, or section 238”.

6   CONDOMINIUM AND COOPERATIVE OWNERSHIP FOR LOW  
7                   AND MODERATE INCOME FAMILIES

8       SEC. 105. (a) Section 221 of the National Housing  
9   Act is amended by adding at the end thereof two new sub-  
10   sections as follows:

11       “(i) (1) The Secretary is authorized, with respect to  
12   any project involving a mortgage insured under subsection  
13   (d) (3) which bears interest at the below-market interest  
14   rate prescribed in the proviso of subsection (d) (5), to per-  
15   mit a conversion of the ownership of such project to a plan  
16   of family unit ownership. Under such plan, each family  
17   unit shall be eligible for individual ownership and provision  
18   shall be included for the sale of the family units, together  
19   with an undivided interest in the common areas and facilities  
20   which serve the project, to low or moderate income pur-  
21   chasers. The Secretary shall obtain such agreements as he  
22   determines to be necessary to assure continued maintenance  
23   of the common areas and facilities. Upon such sale, the family  
24   unit and the undivided interest in the common areas shall  
25   be released from the lien of the project mortgage.



1       “(2) (A) The Secretary is authorized, upon applica-  
2       tion by the mortgagee, to insure under this subsection mort-  
3       gages financing the purchase of individual family units under  
4       the plan prescribed in paragraph (1). Commitments may be  
5       issued by the Secretary for the insurance of such mortgages  
6       prior to the date of their execution or disbursement thereon,  
7       upon such terms and conditions as the Secretary may pre-  
8       scribe. To be eligible for such insurance, the mortgage  
9       shall—

10               “(i) be executed by a mortgagor having an income  
11       within the limits prescribed by the Secretary for occu-  
12       pants of projects financed with a mortgage insured un-  
13       der subsection (d) (3) which bears interest at the  
14       below-market rate prescribed in the proviso of subsec-  
15       tion (d) (5) ;

16               “(ii) involve a principal obligation (including such  
17       initial service charges, appraisal, inspection, and other  
18       fees as the Secretary shall approve) in an amount not to  
19       exceed the Secretary’s estimate of the appraised value  
20       of the family unit, including the mortgagor’s interest in  
21       the common areas and facilities, as of the date the mort-  
22       gage is accepted for insurance;

23               “(iii) bear interest at a rate determined by the  
24       Secretary (which may vary in accordance with the  
25       regulations of the Secretary promulgated pursuant to

1 the last sentence of paragraph (4) of this subsection)  
2 but no less than the below-market rate in effect under  
3 the proviso of subsection (d) (5) at the date of com-  
4 mitment for insurance; and

5 “(iv) provide for complete amortization by periodic  
6 payments within such term as the Secretary may pre-  
7 scribe, but not to exceed the lesser of forty years or  
8 three-quarters of the Secretary’s estimate of the re-  
9 maining economic life of the building improvements.

10 “(B) The price for which the individual family unit  
11 is sold to the low or moderate income purchaser shall not  
12 exceed the appraised value of the property, as determined  
13 under subparagraph (A) (ii), except that the purchaser  
14 shall be required to pay on account of the property at the  
15 time of purchase at least such amount, in cash or its equiva-  
16 lent (not less than 3 per centum of such price which may  
17 be applied in whole or in part toward closing costs), as the  
18 Secretary may determine to be reasonable and appropriate.

19 “(3) Upon the sale of all of the family units covered  
20 by the project mortgage, and the release of all of the family  
21 units (including the undivided interest allocable to each unit  
22 in the common areas and facilities) from the lien of the proj-  
23 ect mortgage, the insurance of the project mortgage shall be  
24 terminated and no adjusted premium charge shall be collected  
25 by the Secretary upon such termination.



1       “(4) Any mortgage covering an individual family unit  
2 insured under this subsection shall contain a provision that,  
3 if the original mortgagor does not continue to occupy the  
4 property, the interest rate shall increase to the highest rate  
5 permissible under this section and the regulations of the  
6 Secretary effective at the time the commitment was issued  
7 for the insurance of the project mortgage; except that the  
8 requirement for an increase in interest rate shall not be appli-  
9 cable if the property is sold and the purchaser is (i) a non-  
10 profit purchaser approved by the Secretary, or (ii) a low  
11 or moderate income purchaser who has an income within  
12 the limits prescribed by the Secretary for occupants of proj-  
13 ects financed with a mortgage insured under subsection  
14 (d) (3) which bears interest at the below-market rate pre-  
15 scribed in the proviso of subsection (d) (5). The mortgage  
16 shall also contain a provision that, if the Secretary determines  
17 the annual income of the original mortgagor (or a purchaser  
18 as described in clause (ii) of this paragraph) has increased  
19 to an amount enabling payment of a greater rate of interest,  
20 the interest rate of the individual mortgage may be increased  
21 up to the highest rate permissible under the regulations of  
22 the Secretary for mortgages insured under this section effec-  
23 tive at the time the commitment was issued for the insurance  
24 of the mortgage.

25       “(5) For the purpose of this subsection, the term—

1           “(i) ‘mortgage’, when used in relation to a mort-  
2       gage insured under paragraph (2) of this subsection,  
3       includes a first mortgage given to secure the unpaid  
4       purchase price of a fee interest in, or a long-term lease-  
5       hold interest in, a one-family unit in a multifamily proj-  
6       ect and an undivided interest in the common areas and  
7       facilities which serve the project; and

8           “(ii) ‘common areas and facilities’ includes the  
9       land and such commercial, community, and other facili-  
10      ties as are approved by the Secretary.

11          “(j) (1) The Secretary is authorized, with respect to  
12      any rental project involving a mortgage insured under sub-  
13      section (d) (3), which bears interest at the below-market  
14      interest rate prescribed in the proviso of subsection (d)  
15      (5), to permit a conversion of the ownership of such proj-  
16      ect to a cooperative approved by the Secretary. Member-  
17      ship in such cooperative shall be made available only to  
18      those families having an income within the limits prescribed  
19      by the Secretary for occupants of projects financed with a  
20      mortgage insured under subsection (d) (3) which bears  
21      interest at such below-market rate: *Provided*, That families  
22      residing in the rental project at the time of its conversion  
23      to a cooperative who do not meet such income limits may  
24      be permitted to become members in the cooperative under



1 such special terms and conditions as the Secretary may  
2 prescribe.

3 “(2) The Secretary is authorized, upon application by  
4 the mortgagee, to insure under this subsection cooperative  
5 mortgages financing the purchase of projects meeting the  
6 requirements of paragraph (1). Commitments may be issued  
7 by the Secretary for the insurance of such mortgages prior  
8 to the date of their execution or disbursement thereon, upon  
9 such terms and conditions as the Secretary may prescribe. To  
10 be eligible for such insurance, the mortgage shall—

11 “(i) involve a principal obligation (including such  
12 initial service charges, appraisal, inspection, and other  
13 fees as the Secretary shall approve) in an amount  
14 not exceeding the appraised value of the property for  
15 continued use as a cooperative, which value shall be  
16 based upon a mortgage amount on which the debt service  
17 can be met from the income of the property when op-  
18 erated on a nonprofit basis, after the payment of all oper-  
19 ating expenses, taxes, and required reserves;

20 “(ii) bear interest at the below-market rate pre-  
21 scribed in the proviso of subsection (d) (5); and

22 “(iii) provide for complete amortization within  
23 such terms as the Secretary may prescribe.”

24 (b) Section 221 (g) (1) of such Act is amended by  
25 striking out “or paragraph (5) of subsection (h) of this

1 section” and inserting in lieu thereof “paragraph (5) of  
2 subsection (h) of this section or paragraph (2) of subsec-  
3 tion (i) of this section”.

4 (c) Section 221 (g) (2) of such Act is amended by  
5 striking out “paragraph (1) of subsection (h)” and insert-  
6 ing in lieu thereof “paragraph (1) of subsection (h) or  
7 paragraph (2) of subsection (j) of this section,”.

8 ASSISTANCE TO NONPROFIT SPONSORS OF LOW AND  
9 MODERATE HOUSING

10 SEC. 106. (a) The Secretary of Housing and Urban  
11 Development is authorized to provide, or contract with pub-  
12 lic or private organizations to provide, information, advice,  
13 and technical assistance with respect to the construction, re-  
14 habilitation, and operation by nonprofit organizations of  
15 housing for low and moderate income families. Assistance by  
16 the Secretary may include—

17 (1) the assembly, correlation, publication, and dis-  
18 semination of information with respect to the construc-  
19 tion, rehabilitation, and operation of low and moderate  
20 income housing, and

21 (2) providing advice and technical assistance with  
22 respect to the construction, rehabilitation, and operation  
23 of low and moderate income housing.

24 (b) (1) The Secretary is authorized to make loans to  
25 nonprofit organizations for the necessary expenses, prior to



1 construction, in planning, and obtaining financing for, the re-  
2 habilitation or construction of housing for low and moderate  
3 income families under any federally assisted program. Such  
4 loans shall be made without interest and shall not exceed 80  
5 per centum of the reasonable costs expected to be incurred in  
6 planning, and in obtaining financing for, such housing prior  
7 to the availability of financing, including, but not limited to,  
8 preliminary surveys and analyses of market needs, prelimi-  
9 nary site engineering and architectural fees, site acquisition,  
10 application and mortgage commitment fees, and construction  
11 loan fees and discounts. The Secretary shall require repay-  
12 ment of loans made under this subsection, under such terms  
13 and conditions as he may require, upon completion of the  
14 project or sooner, and may cancel any part or all of a loan as  
15 he may determine cannot be recovered from the proceeds of  
16 any permanent loan made to finance the rehabilitation or  
17 construction of the housing.

18 (2) The Secretary shall determine prior to the making  
19 of any loan that the nonprofit organization meets such re-  
20 quirements with respect to financial responsibility and stabil-  
21 ity as he may prescribe.

22 (3) There are authorized to be appropriated for the pur-  
23 poses of this subsection not to exceed \$7,500,000 for the  
24 fiscal year ending June 30, 1969, and not to exceed \$10,-  
25 000,000 for the fiscal year ending June 30, 1970. Any

1 amounts so appropriated shall remain available until ex-  
2 pended, and any amounts authorized for any fiscal year under  
3 this paragraph but not appropriated may be appropriated  
4 for any succeeding fiscal year.

5 (4) Funds appropriated for the purposes of this subsec-  
6 tion shall be deposited in a fund which shall be known as the  
7 Low and Moderate Income Sponsor Fund, which shall be  
8 available without fiscal year limitation and be administered  
9 by the Secretary as a revolving fund for carrying out the  
10 purposes of this subsection. Sums received in repayment of  
11 loans made under this subsection shall be deposited in such  
12 fund.

13 INSURANCE PROTECTION FOR HOMEOWNERS

14 SEC. 107. (a) The Secretary of Housing and Urban  
15 Development is authorized, in cooperation with the private  
16 insurance industry, to develop a plan for the establishment  
17 at the earliest practicable date of an insurance program to  
18 help homeowners in meeting mortgage payments in times  
19 of personal economic adversity. Such insurance program shall  
20 be designed to protect mortgagors against foreclosure due to  
21 curtailment of income resulting from factors beyond their  
22 effective control, including such factors as death, disability,  
23 illness, and unemployment. Such insurance program shall also  
24 be designed to be actuarially sound through the use of premi-



1   ums, fees, extended or increased payment schedules, or other  
2   similar methods, in conjunction with such Federal participa-  
3   tion as may be necessary.

4       (b) Within six months following the date of enactment  
5   of this Act, the Secretary shall report to the Congress on his  
6   actions under this section, and shall recommend to the Con-  
7   gress such legislation as he deems appropriate to authorize  
8   him to enter into agreements with any insurance company,  
9   or any corporation or joint enterprise formed to provide home  
10   mortgage insurance protection, for the purpose of reinsuring  
11   insurance reserve funds, subsidizing premium payments on  
12   behalf of lower income mortgagors, or otherwise making pos-  
13   sible the insurance protection of homeowners in accordance  
14   with subsection (a). In preparing such recommendations the  
15   Secretary shall consult with other agencies or instrumentali-  
16   ties of the United States which insure or guarantee home  
17   mortgages in order that such legislation as may be recom-  
18   mended affords equal benefits to mortgagors participating in  
19   their programs.

20       NATIONAL ADVISORY COMMISSION ON LOW INCOME

21                               HOUSING

22       SEC. 108. (a) (1) There is hereby established the Na-  
23   tional Advisory Commission on Low Income Housing  
24   (hereinafter referred to as the "Commission"). The Com-  
25   mission shall be composed of twenty-one members as follows:

1           (A) Four members appointed by the President of  
2     the Senate, two from the majority party and two from  
3     the minority party;

4           (B) Four members appointed by the Speaker of  
5     the House of Representatives, two from the majority  
6     party and two from the minority party; and

7           (C) Thirteen members appointed by the President,  
8     not more than three of whom shall be from the Federal  
9     Government. Appointment shall be made by the Presi-  
10    dent, whenever practicable, after consultation with the  
11    ranking majority and minority members of the Housing  
12    Subcommittees of the Committees on Banking and Cur-  
13    rency of the Senate and House of Representatives.

14          (2) Any vacancy in the Commission shall not affect its  
15    powers, but shall be filled in the same manner in which the  
16    original appointment was made.

17          (3) Eleven members of the Commission shall constitute  
18    a quorum, but a lesser number may conduct hearings.

19          (4) The members of the Commission shall elect a  
20    Chairman and a Vice Chairman from the membership of  
21    the Commission.

22          (b) (1) The Commission shall undertake a compre-  
23    hensive study and investigation, to further the policy set  
24    forth in section 2 of this Act, of practicable and effective



1 ways of bringing decent, safe, and sanitary housing within  
2 the reach of low income families. Such study shall evaluate  
3 existing housing programs designed to assist such families,  
4 and explore new ways by which public and private resources  
5 may be more effectively utilized in meeting the housing needs  
6 of such families. In the carrying out of such study, the Com-  
7 mission may, where necessary or desirable, utilize the serv-  
8 ices of private research organizations, and shall, insofar as is  
9 practicable, seek to coordinate its investigation with studies  
10 undertaken, or being undertaken, by the Banking and  
11 Currency Committees of the Senate and House of  
12 Representatives.

13 (2) The Commission shall be organized and begin its  
14 functions at the earliest possible date, and shall submit to the  
15 President and to the Congress an interim report with respect  
16 to its findings and recommendations not later than July 1,  
17 1969. A final report of its findings and recommendations  
18 shall be submitted to the President and the Congress not  
19 later than July 1, 1970.

20 (c) (1) The Commission or, on the authorization of the  
21 Commission, any subcommittee or members thereof, may,  
22 for the purpose of carrying out the provisions of this section,  
23 hold such hearings, take such testimony, and sit and act at  
24 such times and places as the Commission deems advisable.  
25 Any member authorized by the Commission may administer

1 oaths or affirmations to witnesses appearing before the Com-  
2 mission or any subcommittee or members thereof.

3 (2) Each department, agency, and instrumentality of  
4 the executive branch of the Government is authorized and  
5 directed to furnish to the Commission, upon request made  
6 by the Chairman or Vice Chairman, such information as  
7 the Commission deems necessary to carry out its functions  
8 under this section.

9 (3) Subject to such rules and regulations as may be  
10 adopted by the Commission, the Chairman, without regard  
11 to the provisions of title 5, United States Code, governing  
12 appointments in the competitive service, and without regard  
13 to the provisions of chapter 51 and subchapter III of chapter  
14 53 of such title relating to classification and General Sched-  
15 ule pay rates, shall have the power—

16 (1) to appoint and fix the compensation of such  
17 staff personnel as he deems necessary, and

18 (2) to procure temporary and intermittent serv-  
19 ices to the same extent as is authorized by section 3109  
20 of title 5, United States Code, but at rates not to exceed  
21 \$50 a day for individuals.

22 (d) (1) Any member of the Commission who is ap-  
23 pointed from the executive or legislative branch of the Gov-  
24 ernment shall serve without compensation in addition to



1 that received in his regular employment, but shall be en-  
2 titled to reimbursement for travel, subsistence, and other  
3 necessary expenses incurred by him in the performance of  
4 duties vested in the Commission.

5 (2) Members of the Commission, other than those re-  
6 ferred to in paragraph (1), shall receive compensation at  
7 the rate of \$75 per day for each day they are engaged in the  
8 performance of their duties as members of the Commission  
9 and shall be entitled to reimbursement for travel, subsistence,  
10 and other necessary expenses incurred by them in the per-  
11 formance of their duties as members of the Commission.

12 (e) There are authorized to be appropriated, out of any  
13 money in the Treasury not otherwise appropriated, such  
14 sums as may be necessary to carry out this section.

15 (f) The Commission shall cease to exist thirty days  
16 after the submission of its final report.

17 NATIONAL HOMEOWNERSHIP FOUNDATION

18 SEC. 109. (a) (1) There is hereby created a body cor-  
19 porate to be known as the "National Homeownership Foun-  
20 dation" (hereinafter referred to as the "Foundation") to  
21 carry out a continuing program of encouraging private and  
22 public organizations at the national, community, and neigh-  
23 borhood levels to provide increased homeownership and  
24 housing opportunities in urban and rural areas for lower  
25 income families through such means as—

1           (A) encouraging the investment in, and sponsoring  
2 of, housing for lower income families;

3           (B) encouraging the establishment of programs of  
4 assistance and counseling to lower income families to  
5 enable them better to achieve and afford adequate  
6 housing;

7           (C) providing a broad range of technical assistance  
8 through publications and advisory services to public and  
9 private organizations which are carrying out, or are  
10 desirous of carrying out, programs to expand homeown-  
11 ership and housing opportunities for lower income fam-  
12 ilies; and

13           (D) providing grants and loans to public and pri-  
14 vate organizations carrying out homeownership and  
15 housing opportunity programs for lower income families  
16 to help cover some of the expenses of such programs.

17       (2) The Foundation shall be deemed to be a corpora-  
18 tion without members organized and established under the  
19 provisions of the District of Columbia Nonprofit Corpora-  
20 tion Act, with all the rights, powers, and responsibilities  
21 thereof except as limited by this section and any amend-  
22 ments thereto. This section shall constitute the articles of  
23 incorporation and charter of the Foundation, which shall  
24 not be an agency or instrumentality of the United States  
25 Government. The Congress expressly reserves the exclusive



1 right to alter or amend this charter. The Foundation shall  
2 have succession until dissolved by Act of Congress. The  
3 Foundation shall maintain its principal office in the District  
4 of Columbia.

5       (3) No part of the net earnings of the Foundation  
6 shall inure to the benefit of any private person, and no sub-  
7 stantial part of its activities shall be devoted to attempting  
8 to influence legislation. The Foundation shall not participate  
9 or intervene in any political campaign on behalf of any  
10 candidate for public office. The Foundation shall be oper-  
11 ated and administered at all times as a charitable and edu-  
12 cational foundation.

13       (4) No employee or officer of the Foundation shall  
14 receive compensation in excess of that received by or here-  
15 after prescribed by law for heads of executive departments.

16       (5) The Foundation shall make maximum use of exist-  
17 ing public and private agencies and programs, and in carry-  
18 ing out its functions the Foundation is authorized to con-  
19 tract with individuals, private corporations, organizations,  
20 or associations, and with agencies of the Federal, State, and  
21 local governments.

22       (6) The Foundation is authorized to receive donations  
23 and grants from individuals and from public and private  
24 organizations, foundations, and agencies.

25       (7) The Foundation may use only donated funds, or

1 funds derived from payment of interest on loans made by it,  
2 for the principal and interest payments on any borrowings.

3 (b) (1) The Foundation shall have a Board of Direc-  
4 tors consisting of eighteen members, fifteen of whom shall  
5 be appointed by the President of the United States, with  
6 the advice and consent of the Senate. The other three mem-  
7 bers shall be, ex officio, the Secretary of Housing and Urban  
8 Development, the Secretary of Agriculture, and the Director  
9 of the Office of Economic Opportunity. The President shall  
10 appoint one of the fifteen appointed members to serve as  
11 Chairman of the Board for a term of three years.

12 (2) Within thirty days after the date of enactment of  
13 this Act, the President shall appoint the remaining fifteen  
14 members of the Board. Not more than five of such members  
15 shall, at the time of their appointments, be serving full time  
16 as officers or employees of the Federal Government, or as  
17 officers or employees of any State or local government.  
18 Each appointed member of the Board shall hold office for  
19 a term of three years, except that (A) any member ap-  
20 pointed to fill a vacancy prior to the expiration of the term  
21 for which his predecessor was appointed shall be appointed  
22 for the remainder of such term, and (B) the terms of the  
23 members first taking office shall expire, as designated by  
24 the President at the time of appointment, five at the end of



1 the first year, five at the end of the second year, and five  
2 at the end of the third year after the date of appointment.  
3 Members of the Board, however appointed, shall be eligible  
4 for reappointment, but at no time shall there be more than  
5 five members of the Board who at the time of their appoint-  
6 ment or reappointment were full-time officers or employees  
7 of the Federal Government or of any State or local govern-  
8 ment.

9       (3) Appointed members of the Board who are not  
10 employees of the Federal Government, while attending  
11 meetings or conferences of the Board or otherwise serving  
12 on business of the Board, shall be entitled to receive com-  
13 pensation at rates fixed by the President, but not exceeding  
14 \$100 per day, including travel time, and while so serving  
15 away from their homes or regular places of business they  
16 may be allowed travel expenses, including per diem in lieu  
17 of subsistence, as authorized by section 5703 of title 5,  
18 United States Code, for persons in the Government service  
19 employed intermittently.

20       (4) The Board shall appoint an Executive Director  
21 of the Foundation. The Executive Director shall be the chief  
22 executive officer of the Foundation, shall serve at the pleas-  
23 ure of the Board, and all other executive officers and all  
24 employees shall be responsible to him. The Board shall  
25 also cause to be appointed a secretary, a treasurer, and

1 such other officers as may be necessary to conduct prop-  
2 erly the business of the Foundation, and shall provide for  
3 filling vacancies in such offices.

4 (5) The Board shall adopt bylaws for the Foundation  
5 which shall be made available for public inspection upon  
6 request.

7 (c) (1) The Foundation shall assist public and private  
8 organizations, at their request, in initiating, developing,  
9 and conducting programs to expand homeownership and  
10 housing opportunities for lower income families. To provide  
11 such assistance and to carry out the purposes of this section,  
12 the Foundation is authorized to—

13 (A) carry out a continuing program of encourag-  
14 ing private and public organizations at the national,  
15 community, and neighborhood levels in the establish-  
16 ment of such programs;

17 (B) assist in the formation of organizations the  
18 purpose of which is the development and carrying out  
19 of such programs, including the establishment of local  
20 development funds for financing housing for lower in-  
21 come families through the pooling of moneys from  
22 private sources;

23 (C) identify and arrange for the technical and  
24 managerial assistance and personnel needed for the suc-



1        successful operation of such programs by public and private  
2        organizations;

3            (D) assist public and private organizations in ob-  
4        taining the mortgage financing, insurance, and other  
5        requirements or aids necessary for conducting programs  
6        of housing construction, rehabilitation, or improvements  
7        for lower income families;

8            (E) arrange for, or provide on a limited basis,  
9        training for persons in the skills needed in administering  
10       programs of homeownership and housing opportunity  
11       for lower income families;

12           (F) encourage research and innovation, and collect  
13        and make available such information as may be desirable  
14        to further the purposes of this section, including but not  
15        limited to such activities as the sponsoring of seminars,  
16        conferences, and meetings, and the establishment of a  
17        continuing information program to acquaint lower in-  
18        come families with the means they can use to improve  
19        the quality of their housing and the homeownership and  
20        housing opportunities available to them;

21           (G) assist private and public organizations in estab-  
22        lishing, in connection with their homeownership and  
23        housing opportunity programs for lower income families,  
24        counseling and similar activities designed to advise lower  
25        income families of the means available to better them-

1       selves economically through job training and manpower  
2       development programs; and

3           (H) perform other similar services in order to fur-  
4       ther the purposes of this section.

5       (2) The Foundation may, if it deems it appropriate,  
6       charge a reasonable fee for any assistance or services pro-  
7       vided under this subsection.

8       (d) (1) In order to assist public and private organiza-  
9       tions which are carrying out homeownership and housing  
10      opportunity programs for lower income families to fill unmet  
11      needs, initiate exceptional programs, and experiment with  
12      new approaches and programs, the Foundation is author-  
13      ized, subject to such terms and conditions as it may prescribe,  
14      to make grants and loans to such organizations to help defray  
15      the following expenses:

16           (A) organizational and administrative expenses in-  
17      curred in commencing the operation of a program, or in  
18      expanding an existing program, to the extent that the  
19      activities are related to providing homeownership and  
20      housing opportunities for lower income families;

21           (B) necessary preconstruction costs incurred for  
22      architectural assistance, land options, application fees,  
23      and similar items; and

24           (C) the cost of carrying out programs providing  
25      counseling or similar services to lower income families



1       for whom housing is being provided, in order to enable  
2       those families better to achieve and afford adequate hous-  
3       ing, in such matters as home management, budget man-  
4       agement, and home maintenance.

5       (2) In order to be eligible for a grant or loan under  
6       this subsection, the organization seeking such assistance shall  
7       demonstrate to the satisfaction of the Foundation that the  
8       funds requested are not otherwise available from Federal  
9       sources: *Provided*, That a grant or loan under this section  
10      may be provided to help cover that portion of the cost of  
11      an eligible activity not covered by Federal funds.

12      (3) The Foundation shall encourage cooperation be-  
13      tween public and private organizations carrying out programs  
14      of homeownership and housing opportunity for lower in-  
15      come families and the neighborhoods and communities af-  
16      fected by such programs. To help assure such cooperation  
17      and in order to coordinate, to the maximum extent feasible,  
18      any construction or rehabilitation activities with the develop-  
19      ment goals of the neighborhood or community affected, no  
20      application for a loan or grant under this subsection shall be  
21      considered unless such application has been submitted to the  
22      governing body of the community affected, or to such other  
23      entity of local government as may be designated by the gov-  
24      erning body, for such recommendations as the local govern-

ing body or its designee may desire to make. Any recommendations so made shall be given careful consideration by the Foundation before taking final action on any such application. If, upon the expiration of thirty days after any such application has been submitted to such governing body or its designee, such body or designee fails to provide such recommendations, the application may be considered without the benefit of such recommendations.

(e) The Foundation shall coordinate its activities and consult with the Department of Housing and Urban Development and other Federal departments and agencies engaged in providing homeownership and housing opportunities for lower income families.

(f) (1) Not later than one hundred and twenty days after the close of each fiscal year, the Foundation shall prepare and submit to the President and to the Congress a full report of its activities during such year. Such report shall include an account of the Foundation's experiences with the efforts of private and public organizations to expand homeownership and housing opportunities for lower income families, together with such recommendations as it deems appropriate.

(2) Whenever in its judgment the general unavailability of mortgage funds is sufficiently serious to deter the Foundation from carrying out its objective of expanding homeown-



1 ership and housing opportunities for lower income families,  
2 the Foundation shall, in its annual report or in a separate  
3 report to the President and the Congress, state its findings  
4 and make such recommendations for alternate means of  
5 financing housing for such families as it deems appropriate.

6 (g) (1) The financial transactions of the Foundation  
7 shall be audited by the General Accounting Office in accord-  
8 ance with the principles and procedures applicable to com-  
9 mercial corporate transactions and under such rules and regu-  
10 lations as may be prescribed by the Comptroller General  
11 of the United States. The representatives of the General  
12 Accounting Office shall have access to all books, accounts,  
13 financial records, reports, files, and all other papers, things,  
14 or property belonging to or in use by the Foundation and  
15 necessary to facilitate the audit, and they shall be afforded  
16 full facilities for verifying transactions with the balances or  
17 securities held by depositories, fiscal agents, and custodians.  
18 The audit shall cover the fiscal year corresponding to that  
19 of the United States Government.

20 (2) A report of each such audit shall be made by the  
21 Comptroller General to the Congress not later than Janu-  
22 ary 15 following the close of the fiscal year for which the  
23 audit was made. The report shall set forth the scope of the  
24 audit and shall include a statement of assets and liabilities,

1 capital and surplus or deficit; a statement of sources and  
2 application of funds; and such comments and information as  
3 may be deemed necessary to keep Congress informed of the  
4 operations and financial condition of the Foundation, to-  
5 gether with such recommendations with respect thereto as  
6 the Comptroller General may deem advisable. The report  
7 shall also show specifically any program, expenditure, or  
8 other financial transaction or undertaking observed in the  
9 course of the audit, which, in the opinion of the Comptroller  
10 General, has been carried on or made without authority of  
11 law. A copy of each report shall be furnished to the Presi-  
12 dent and to the Foundation at the time submitted to the  
13 Congress.

14 (h) Funds of the Foundation shall be deposited, to  
15 the extent practicable, in accounts with financial institu-  
16 tions which are actively engaged in making loans or are  
17 otherwise carrying on activities in furtherance of home-  
18 ownership and housing opportunities for lower income  
19 families.

20 (i) There is authorized to be appropriated to the Foun-  
21 dation not to exceed \$10,000,000 to carry out the purposes  
22 of this section. Appropriations made hereunder shall remain  
23 available until expended.



1       **TITLE II—RENTAL HOUSING FOR LOWER**  
2                               **INCOME FAMILIES**

3                               **PART A—PRIVATE HOUSING**

4       **RENTAL AND COOPERATIVE HOUSING FOR LOWER**  
5                               **INCOME FAMILIES**

6       SEC. 201. (a) Title II of the National Housing Act is  
7 amended by adding after section 235 (as added by section  
8 101 of this Act) the following new section:

9       “RENTAL AND COOPERATIVE HOUSING FOR LOWER  
10                               INCOME FAMILIES

11       “SEC. 236. (a) For the purpose of reducing rentals for  
12 lower income families, the Secretary is authorized to make,  
13 and to contract to make, periodic interest reduction pay-  
14 ments on behalf of the owner of a rental housing project  
15 designed for occupancy by lower income families, which  
16 shall be accomplished through payments to mortgagees hold-  
17 ing mortgages meeting the special requirements specified in  
18 this section.

19       “(b) Interest reduction payments with respect to a  
20 project shall only be made during such time as the project  
21 is operated as a rental housing project and is subject to a  
22 mortgage which meets the requirements of, and is insured  
23 under, subsection (j) of this section.

24       “(c) The interest reduction payments to a mortgagee  
25 by the Secretary on behalf of a project owner shall be in

1 an amount not exceeding the difference between the monthly  
2 payment for principal, interest, and mortgage insurance  
3 premium which the project owner as a mortgagor is obligated  
4 to pay under the mortgage and the monthly payment for  
5 principal and interest such project owner would be obligated  
6 to pay if the mortgage were to bear interest at the rate of  
7 1 per centum per annum.

8 “(d) The Secretary may include in the payment to the  
9 mortgagee such amount, in addition to the amount computed  
10 under subsection (c), as he deems appropriate to reimburse  
11 the mortgagee for its expenses in handling the mortgage.

12 “(e) As a condition for receiving the benefits of in-  
13 terest reduction payments, the project owner shall operate  
14 the project in accordance with such requirements with re-  
15 spect to tenant eligibility and rents as the Secretary may  
16 prescribe. Procedures shall be adopted by the Secretary  
17 for review of tenant incomes at intervals of two years (or at  
18 shorter intervals where the Secretary deems it desirable).

19 “(f) For each dwelling unit there shall be established  
20 with the approval of the Secretary (1) a basic rental charge  
21 determined on the basis of operating the project with pay-  
22 ments of principal and interest due under a mortgage bear-  
23 ing interest at the rate of 1 per centum per annum; and (2)  
24 a fair market rental charge determined on the basis of op-  
25 erating the project with payments of principal, interest, and



1 mortgage insurance premium which the mortgagor is obli-  
2 gated to pay under the mortgage covering the project. The  
3 rental for each dwelling unit shall be at the basic rental  
4 charge or such greater amount, not exceeding the fair mar-  
5 ket rental charge, as represents 25 per centum of the tenant's  
6 income.

7       “(g) The project owner shall, as required by the Sec-  
8 retary, accumulate, safeguard, and periodically pay to the  
9 Secretary all rental charges collected in excess of the basic  
10 rental charges. Such excess charges shall be deposited by  
11 the Secretary in a fund which may be used by him as a re-  
12 volving fund for the purpose of making interest reduction  
13 payments with respect to any rental housing project cov-  
14 ered by a mortgage insured under this section, subject to  
15 limits approved in appropriation Acts pursuant to subsection  
16 (i). Moneys in such fund not needed for current operations  
17 may be invested in bonds or other obligations of the United  
18 States or in bonds or other obligations guaranteed as to prin-  
19 cipal and interest by the United States.

20       “(h) In addition to establishing the requirements speci-  
21 fied in subsection (e), the Secretary is authorized to make  
22 such rules and regulations, to enter into such agreements,  
23 and to adopt such procedures as he may deem necessary or  
24 desirable to carry out the provisions of this section.

25       “(i) (1) There are authorized to be appropriated such

1 sums as may be necessary to carry out the provisions of this  
2 section, including such sums as may be necessary to make  
3 interest reduction payments under contracts entered into  
4 under this section. The aggregate amount of contracts to  
5 make such payments shall not exceed amounts approved in  
6 appropriation Acts, and payments pursuant to such contracts  
7 shall not exceed \$75,000,000 per annum prior to July 1,  
8 1969, which maximum dollar amount shall be increased by  
9 \$100,000,000 on July 1, 1969, and by \$125,000,000 on  
10 July 1, 1970.

11 “(2) Not more than 20 per centum of the total amount  
12 of interest reduction payments authorized to be contracted  
13 to be made pursuant to appropriation Acts shall be contracted  
14 to be made with respect to families, occupying rental housing  
15 projects insured under this section, whose incomes at the time  
16 of the initial renting of the projects are in excess of 70 per  
17 centum of the limits prescribed by the Secretary for occupants  
18 of projects financed with mortgages insured under section  
19 221 (d) (3) which bear interest at the below-market interest  
20 rate prescribed in the proviso of section 221 (d) (5).

21 “(j) (1) The Secretary is authorized, upon application  
22 by the mortgagee, to insure a mortgage (including advances  
23 on such mortgage during construction) which meets the re-  
24 quirements of this subsection. Commitments for the insur-



1     ance of such mortgages may be issued by the Secretary prior  
2     to the date of their execution or disbursement thereon, upon  
3     such terms and conditions as he may prescribe.

4     “(2) As used in this subsection—

5         “(A) the terms ‘family’ and ‘families’ shall have  
6         the same meaning as in section 221;

7         “(B) the term ‘elderly or handicapped families’  
8         shall have the same meaning as in section 202 of the  
9         Housing Act of 1959; and

10         “(C) the terms ‘mortgage’, ‘mortgagee’, and ‘mort-  
11         gagor’ shall have the same meaning as in section 201.

12     “(3) To be eligible for insurance under this subsection,  
13     a mortgage shall meet the requirements specified in subsec-  
14     tions (d) (1) and (d) (3) of section 221, except as such  
15     requirements are modified by this subsection. In the case of  
16     a project financed with a mortgage insured under this sub-  
17     section which involves a mortgagor other than a cooperative  
18     or a private nonprofit corporation or association and which  
19     is sold to a cooperative or a nonprofit corporation or associa-  
20     tion, the Secretary is further authorized to insure under this  
21     subsection a mortgage given by such purchaser in an amount  
22     not exceeding the appraised value of the property at the time  
23     of purchase, which value shall be based upon a mortgage  
24     amount on which the debt service can be met from the  
25     income of the property when operated on a nonprofit basis,

1 after payment of all operating expenses, taxes, and required  
2 reserves.

3 “(4) The mortgage to be insured under this subsection  
4 shall—

5 “(A) be executed by a private mortgagor eligible  
6 under subsection (d) (3) or (e) of section 221;

7 “(B) bear interest (exclusive of premium charges  
8 for insurance and service charges, if any) at not to ex-  
9 ceed such per centum per annum, on the amount of the  
10 principal obligation outstanding at any time, as the Sec-  
11 retary finds necessary to meet the mortgage market; and

12 “(C) provide for complete amortization by periodic  
13 payments within such term as the Secretary may  
14 prescribe.

15 “(5) The property or project shall—

16 “(A) comply with such standards and conditions as  
17 the Secretary may prescribe to establish the acceptability  
18 of such property for mortgage insurance and may include  
19 such nondwelling facilities as the Secretary deems ade-  
20 quate and appropriate to serve the occupants and the  
21 surrounding neighborhood: *Provided*, That the project  
22 shall be predominantly residential and any nondwelling  
23 facility included in the mortgage shall be found by the  
24 Secretary to contribute to the economic feasibility of the  
25 project, and the Secretary shall give due consideration



1 to the possible effect of the project on other business  
2 enterprises in the community: *Provided further, That,*  
3 in the case of a project designed primarily for occupancy  
4 by elderly or handicapped families, the project may in-  
5 clude related facilities for use by elderly or handicapped  
6 families, including cafeterias or dining halls, community  
7 rooms, workshops, infirmaries or other inpatient or out-  
8 patient health facilities, and other essential service  
9 facilities;

10 “(B) include five or more dwelling units; and

11 “(C) be designed primarily for use as a rental proj-  
12 ect to be occupied by lower income families or by  
13 elderly or handicapped families: *Provided, That* lower  
14 income persons who are less than sixty-two years of  
15 age shall be eligible for occupancy in such a project,  
16 but not more than 10 per centum of the dwelling units  
17 in any such project shall be available for occupancy  
18 by such persons.

19 “(6) With the approval of the Secretary, the mortgagor  
20 may sell the individual dwelling units to lower income  
21 or elderly or handicapped purchasers. The Secretary  
22 may consent to the release of the mortgagor from his lia-  
23 bility under the mortgage or the credit instrument secured  
24 thereby, or consent to the release of parts of the mortgaged  
25 property from the lien of the mortgage, upon such terms and

1 conditions as he may prescribe, and the mortgage may pro-  
2 vide for such release.

3 “(k) As used in this section the term ‘tenant’ includes  
4 a member of a cooperative, the term ‘rental housing proj-  
5 ect’ includes a cooperative housing project, and the terms  
6 ‘rental’ and ‘rental charge’ mean, with respect to members  
7 of a cooperative, the charges under the occupancy agree-  
8 ments between such members and the cooperative.

9 “(l) In determining the income of any person for the  
10 purposes of this section, there shall be deducted an amount  
11 equal to \$300 for each minor person who is a member of the  
12 immediate family of such person and living with such family,  
13 and the earnings of any such minor person shall not be  
14 included in the income of such person or his family.”

15 (b) (1) Section 212 (a) of the National Housing Act  
16 is amended by striking out “or 232” in the first sentence  
17 of the second paragraph and inserting in lieu thereof “, 232  
18 or 236”.

19 (2) Section 227 (a) of such Act is amended by striking  
20 out “or (viii) under section 234 (d)” and inserting in lieu  
21 thereof “(viii) under section 234 (d), or (ix) under section  
22 236”.

23 (3) Section 227 (c) of such Act is amended by striking  
24 out “or section 233 (b) (2)” each place it appears and in-  
25 serting in lieu thereof “section 233, or section 236”.



1       (c) The Secretary of Housing and Urban Develop-  
2 ment is authorized, upon such terms and conditions as he may  
3 prescribe, to transfer to section 236(j) of the National  
4 Housing Act the insurance of a mortgage which has not  
5 been finally endorsed for insurance under section 221(d)(3)  
6 of such Act and which has been approved for the below  
7 market interest rate prescribed in the proviso of section  
8 221(d)(5) of such Act.

9       (d) The Secretary of Housing and Urban Develop-  
10 ment is authorized, upon such terms and conditions as he  
11 may prescribe, to insure under section 236(j) of the Na-  
12 tional Housing Act a mortgage meeting the requirements of  
13 such section given to refinance a mortgage loan which was  
14 made under section 202 of the Housing Act of 1959: *Pro-*  
15 *vided*, That the application for such insurance is filed with  
16 the Secretary on or before the date of project completion,  
17 or within such reasonable time thereafter as the Secretary  
18 may permit.

19       (e) (1) Section 101(g) of the Housing and Urban  
20 Development Act of 1965 is amended by striking out “and  
21 231(c)(3)” and inserting in lieu thereof “, 231(c)(3),  
22 and 236”.

23       (2) Section 101(j)(1) of such Act is amended by—

24               (A) striking out “and” at the end of subparagraph

25               (B) ;

(B) striking out the period at the end of subparagraph (C) and inserting in lieu thereof “; and”; and

(C) inserting a new subparagraph (D) to read as follows:

“(D) a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited dividend legal entity, or a cooperative housing corporation, which is a mortgagor under a mortgage insured under section 236 (j) of the National Housing Act which has been approved for receiving the benefits of this section: *Provided*, That payments shall not be made with respect to more than 20 per centum of the dwelling units in any property so financed.”

(f) Section 207 of the Appalachian Regional Development Act of 1965 is amended—

(1) by inserting in the heading “AND SECTION 236” immediately after “SECTION 221”;

(2) by inserting “or section 236” after “section 221” each place it appears;

(3) by inserting “or ‘section 236’ ” after “‘section 221’ ” in subsection (a); and

(4) by inserting “, Government National Mortgage Association,” immediately after “Federal Housing Administration” in subsection (c).



## RENT SUPPLEMENT PROGRAM

SEC. 202. (a) Section 101(a) of the Housing and Urban Development Act of 1965 is amended by striking out everything after the word "exceed" the second time the word appears in the third sentence and inserting in lieu thereof the following: "\$150,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by \$40,000,000 on July 1, 1969, and by \$100,000,000 on July 1, 1970."

(b) Section 101(b) of such Act is amended by inserting after the first sentence the following: "Such term also includes a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation, or other limited dividend legal entity, or a cooperative housing corporation, which is the owner of a rental or cooperative housing project financed under a State or local program providing assistance through loans, loan insurance, or tax abatements, and which prior to completion of construction or rehabilitation is approved for receiving the benefits of this section."

## PART B—LOW-RENT PUBLIC HOUSING

## INCREASED LOW-RENT PUBLIC HOUSING AUTHORIZATION

SEC. 203. (a) Section 10(e) of the United States Housing Act of 1937 is amended by striking out in the first sentence "\$366,250,000 per annum, which limit shall be increased by \$47,000,000 on the date of enactment of

1 the Housing and Urban Development Act of 1965, and by  
2 further amounts of \$47,000,000 on July 1 in each of the  
3 years 1966, 1967, and 1968, respectively,” and inserting  
4 in lieu thereof the following: “\$554,250,000 per annum.  
5 which limit shall be increased by \$100,000,000 on the date  
6 of enactment of the Housing and Urban Development Act  
7 of 1968 and by further amounts of \$150,000,000 on July 1  
8 in each of the years 1969 and 1970,”.

9 (b) Section 20 of such Act is amended by—

10 (1) striking out “not to exceed \$1,500,000,000”  
11 in the first sentence and inserting in lieu thereof “which  
12 shall not, unless authorized by the President, exceed  
13 \$1,500,000,000”; and

14 (2) inserting after the first sentence the following:  
15 “For the purpose of determining obligations incurred  
16 to make loans pursuant to this Act against any limita-  
17 tion otherwise applicable with respect to such loans, the  
18 Secretary shall estimate the maximum amount to be  
19 loaned at any one time pursuant to loan agreements then  
20 outstanding with public housing agencies.”.

21 UPGRADING MANAGEMENT AND SERVICES IN PUBLIC

22 HOUSING PROJECTS

23 SEC. 204. Section 15 of the United States Housing  
24 Act of 1937 is amended by adding at the end thereof the  
25 following new paragraph:



1       “(10) The Secretary is authorized to enter into con-  
2 tracts to make grants to public housing agencies to assist,  
3 where necessary, in financing tenant services for families  
4 living in low-rent housing projects. In making such contracts  
5 and grants, the Secretary shall give preference to programs  
6 providing for the maximum feasible participation of the  
7 tenants in the development and operation of such tenant  
8 services. There are authorized to be appropriated for the  
9 purposes of this paragraph not to exceed \$20,000,000 for  
10 the fiscal year ending June 30, 1969, and not to exceed  
11 \$40,000,000 for the fiscal year ending June 30, 1970. Any  
12 amounts so appropriated shall remain available until ex-  
13 pended, and any amounts authorized for any fiscal year under  
14 this paragraph but not appropriated may be appropriated for  
15 any succeeding fiscal year commencing prior to July 1,  
16 1970.”

17                   PURCHASE OF UNITS BY TENANTS

18       SEC. 205. Section 15 (9) of the United States Housing  
19 Act of 1937 is amended by striking out “which is suitable  
20 by reason of its detached or semidetached construction” and  
21 inserting in lieu thereof “, if the property to be acquired is  
22 sufficiently separable from other property retained by the  
23 public housing agency to make it suitable”.

24                   PUBLIC HOUSING IN INDIAN AREAS

25       SEC. 206. (a) Section 1 of the United States Housing  
26 Act of 1937 is amended by striking out “urban and rural

1 nonfarm” in the first sentence and inserting in lieu thereof  
 2 “urban, rural nonfarm, and Indian”.

3 (b) Section 10 (a) of such Act is amended by inserting  
 4 “or Indian” after “nonfarm” in the fourth proviso.

5 TITLE III—FEDERAL HOUSING ADMINISTRA-  
 6 TION INSURANCE OPERATIONS

7 MORTGAGE INSURANCE PREMIUMS FOR SERVICEMEN AND  
 8 THEIR WIDOWS

9 SEC. 301. Section 222 of the National Housing Act is  
 10 amended by—

11 (1) striking out “Secretary of the Treasury” each  
 12 place it appears and inserting in lieu thereof “Secretary  
 13 of Transportation”; and

14 (2) adding at the end thereof two new subsections  
 15 as follows:

16 “(f) The Secretary is authorized to transfer to this sec-  
 17 tion the insurance on any mortgage covering a single-family  
 18 dwelling or a one-family unit in a condominium project in-  
 19 sured under this Act, if the mortgage indebtedness thereof  
 20 has been assumed by a serviceman who at the time of as-  
 21 sumption is the owner of the property and either occupies the  
 22 property or certifies that his failure to do so is the result of  
 23 his military assignment, or, in the case of the United States  
 24 Coast Guard, other assignment.

25 “(g) Where a serviceman dies while on active duty in  
 26 the Armed Forces of the United States or in the United



1 States Coast Guard, leaving a surviving widow as owner of  
2 the property, the period of ownership (as such term is used  
3 in subsection (c) of this section) shall extend for two years  
4 beyond the date of the serviceman's death or until the date  
5 the widow disposes of the property, whichever date occurs  
6 first. The Secretary of Defense or the Secretary of Transpor-  
7 tation, as the case may be, shall notify such widow promptly  
8 following the serviceman's death of the additional costs to be  
9 borne by the mortgagor following termination of the two-  
10 year period."

11 SEASONAL HOMES

12 SEC. 302. Section 203 of the National Housing Act is  
13 amended by adding at the end thereof the following new  
14 subsection:

15 "(m) The Secretary is authorized to insure under this  
16 section any mortgage meeting the requirements of sub-  
17 section (b) of this section, except as modified by this  
18 subsection. To be eligible, the mortgage shall involve a  
19 principal obligation not in excess of \$15,000 and not in  
20 excess of 75 per centum of the appraised value of the prop-  
21 erty, as of the date the mortgage is accepted for insurance.  
22 The mortgage shall cover a dwelling for single-family occu-  
23 pancy which is approved for mortgage insurance prior to

1 the beginning of construction. The dwelling need not be  
2 designed for year-round occupancy, but it shall (1) meet  
3 standards prescribed by the Secretary, and (2) be located  
4 in an area where the Secretary finds it is not practicable to  
5 obtain conformity with many of the requirements essential  
6 to the insuring of mortgages on housing in built-up urban  
7 areas. The development of the property with respect to  
8 which the mortgage is executed shall be consistent with the  
9 conservation of water and other natural resources of the area,  
10 and such property shall be an acceptable risk, giving con-  
11 sideration to the economic potential of the area in which the  
12 dwelling is located and the contribution that the housing will  
13 make toward improving the area. The Secretary may sus-  
14 pend the issuance of commitments under this subsection for  
15 the insurance of mortgages secured by properties situated in  
16 any area, whenever he determines that (i) there is a serious  
17 and unusual shortage of mortgage funds for residential con-  
18 struction in such area, (ii) such insurance would affect ma-  
19 terially and adversely the availability of mortgage funds for  
20 residential construction in such area, and (iii) such suspen-  
21 sion would not have an adverse impact upon the balanced  
22 economic development of the area."



1       MODIFICATIONS IN TERMS OF INSURED MORTGAGES  
2                   COVERING MULTIFAMILY PROJECTS

3       SEC. 303. Title II of the National Housing Act is  
4 amended by adding after section 238 (as added by section  
5 104 of this Act) the following section:

6       “MODIFICATIONS IN TERMS OF INSURED MORTGAGES  
7                   COVERING MULTIFAMILY PROJECTS

8       “SEC. 239. (a) The Secretary shall not consent to any  
9 request for an extension of the time for curing a default under  
10 any mortgage covering multifamily housing, as defined in the  
11 regulations of the Secretary, or for a modification of the terms  
12 of such mortgage, except in conformity with regulations pre-  
13 scribed by the Secretary in accordance with the provisions  
14 of this section. Except as otherwise hereinafter provided, such  
15 regulations shall require as a condition to the granting of any  
16 such request, that, during the period of such extension or  
17 modification, any part of the rents or other funds derived by  
18 the mortgagor from the property covered by the mortgage  
19 which is not required to meet actual and necessary expenses  
20 arising in connection with the operation of such property,  
21 including amortization charges under the mortgage, be held  
22 in trust by the mortgagor and distributed only with the con-  
23 sent of the Secretary. In prescribing regulations under this  
24 section the Secretary may provide for the granting of con-  
25 sent to any request for an extension of the time for curing

1 a default under any mortgage covering multifamily housing,  
2 or for a modification of the terms of such mortgage, without  
3 regard to the foregoing requirement, in any case or class of  
4 cases in which an exemption from such requirement does not  
5 (as determined by the Secretary) jeopardize the interests  
6 of the United States.

7 “(b) Whoever, as an owner of a property which is  
8 security for a mortgage described in subsection (a), or as  
9 a stockholder of a corporation owning such property, or as  
10 a beneficial owner under any business organization or trust  
11 owning such property, or as an officer, director, or agent of  
12 any such owner, (1) willfully uses or authorizes the use of  
13 any part of the rents or other funds derived from property  
14 covered by such mortgage in violation of a regulation pre-  
15 scribed by the Secretary under subsection (a), or (2) if  
16 such mortgage is determined, as provided in subsection (a),  
17 to be exempt from the requirement of any such regulation  
18 or is not otherwise covered by such regulation, willfully and  
19 knowingly uses or authorizes the use, while such mortgage is  
20 in default, of any part of the rents or other funds derived from  
21 the property covered by such mortgage for any purpose other  
22 than to meet actual and necessary expenses arising in con-  
23 nection with such property (including amortization charges  
24 under the mortgage), shall be fined not more than \$5,000  
25 or imprisoned not more than three years, or both.”



1 CONDOMINIUMS

2 SEC. 304. (a) Section 234 (c) of the National Housing  
3 Act is amended by striking out “rental housing, and (3)”  
4 in the first sentence and inserting in lieu thereof the follow-  
5 ing: “rental housing: *Provided*, That a one-family unit in  
6 a multifamily project involving eleven or less units shall be  
7 eligible for insurance without having been covered by a proj-  
8 ect mortgage, and (3)”.

9 (b) Section 234 (c) of such Act is further amended by  
10 striking out “(iii) 75 per centum” in the third sentence,  
11 and inserting in lieu thereof “(iii) 80 per centum”.

12 (c) Section 234 (f) of such Act is amended by strik-  
13 ing out “five” and inserting in lieu thereof “four”.

14 INSURANCE OF LOANS FOR PURCHASE OF FEE SIMPLE

15 TITLE FROM LESSORS

16 SEC. 305. (a) Title II of the National Housing Act  
17 is amended by adding after section 239 (as added by sec-  
18 tion 303 of this Act) the following section:

19 “PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

20 “SEC. 240. (a) The Secretary is authorized, upon such  
21 terms and conditions as he may prescribe, to make commit-  
22 ments to insure and to insure loans made by financial insti-  
23 tutions for the purpose of financing purchases by home-  
24 owners of the fee simple title to property on which their  
25 homes are located.

1 “(b) As used in this section—

2 “(1) the term ‘financial institution’ means a lender  
3 approved by the Secretary as eligible for insurance  
4 under section 2 or a mortgagee approved under section  
5 203 (b) (1) ; and

6 “(2) the term ‘homeowner’ means a lessee under a  
7 long-term ground lease,

8 “(c) To be eligible for insurance under this section, a  
9 loan shall—

10 “(1) relate to property on which there is located  
11 a dwelling designed principally for a one-, two-, three-,  
12 or four-family residence;

13 “(2) not exceed the cost of purchasing the fee  
14 simple title, or \$10,000 per family unit, whichever is  
15 the lesser;

16 “(3) be limited to an amount which when added  
17 to any outstanding indebtedness related to the property  
18 (as determined by the Secretary) creates a total out-  
19 standing indebtedness which does not exceed the mort-  
20 gage limits prescribed in section 203 (b) ;

21 “(4) bear interest at not to exceed such per centum  
22 per annum (not in excess of 6 per centum), on the  
23 amount of the principal obligation outstanding at any  
24 time, as the Secretary finds necessary to meet market



1 conditions, and such other charges (including such serv-  
2 ice charge, appraisal, inspection, and other fees) as may  
3 be approved by the Secretary;

4 “(5) have a maturity satisfactory to the Secretary,  
5 but not to exceed twenty years from the beginning of  
6 amortization of the loan or three-quarters of the remain-  
7 ing economic life of the home, whichever is the lesser;  
8 and

9 “(6) comply with such other terms, conditions, and  
10 restrictions as the Secretary may prescribe.

11 “(d) The provisions of paragraphs (3), (5), (6), (7),  
12 (8), and (10) of section 220 (h) shall be applicable to loans  
13 insured under this section and, as applied to loans insured  
14 under this section, references in those paragraphs to ‘home  
15 improvement loans’ and ‘this subsection’ shall be construed  
16 to refer to loans under this section.”

17 (b) Section 5 (c) of the Home Owners Loan Act of  
18 1933, as amended (12 U.S.C. 1464 (c) ), is amended by  
19 adding immediately before the last paragraph the following  
20 new paragraph:

21 “Notwithstanding any other provisions of this subsec-  
22 tion, an association may invest in loans or obligations, or in-  
23 terests therein, as to which the association has the benefit of

1 insurance under section 240 of the National Housing Act, or  
 2 of a commitment or agreement therefor, and such invest-  
 3 ments shall not be included in any percentage of assets or  
 4 other percentage referred to in this subsection.”

5 EXTEND SECTION 221(d)(2) SALES HOUSING PROGRAM FOR  
 6 TWO-, THREE-, AND FOUR-FAMILY RESIDENCES TO ALL  
 7 LOW AND MODERATE INCOME FAMILIES

8 SEC. 306. Section 221 (d) (2) of the National Housing  
 9 Act is amended by striking out “a displaced family” at the  
 10 end of the first proviso and inserting in lieu thereof “the  
 11 mortgagor”.

12 REMOVE DIVIDEND RESTRICTION FOR NONDWELLING FACIL-  
 13 ITIES IN SECTION 221 PROJECTS

14 SEC. 307. Section 221 (f) of the National Housing Act  
 15 is amended by striking out in the first sentence all that fol-  
 16 lows the word “mortgage” in the proviso and inserting in  
 17 lieu thereof “: *Provided further*, That, in the case of a mort-  
 18 gage which bears interest at the below-market interest rate  
 19 prescribed in the proviso of subsection (d) (5), the provi-  
 20 sions of section 220 (d) (3) (B) (iv) shall only apply if the  
 21 mortgagor waives the right to receive dividends on its equity  
 22 investment in the portion thereof devoted to commercial  
 23 facilities.”



1 SUPPLEMENTAL LOAN PROGRAM FOR PROJECTS FINANCED  
2 WITH FHA INSURED MORTGAGES

3 SEC. 308. Title II of the National Housing Act is  
4 amended by adding after section 240 (as added by section  
5 305 of this Act) the following new section:

6 "SUPPLEMENTAL LOANS FOR MULTIFAMILY PROJECTS  
7 "SEC. 241. (a) With respect to a multifamily project  
8 or group practice facility covered by a mortgage insured  
9 under any section or title of this Act, the Secretary is author-  
10 ized, upon such terms and conditions as he may prescribe, to  
11 make commitments to insure, and to insure, supplemental  
12 loans (including advances during construction or improve-  
13 ment) made by financial institutions approved by the Secre-  
14 tary. As used in this section, 'supplemental loan' means a  
15 loan, advance of credit, or purchase of an obligation repre-  
16 senting a loan or advance of credit made for the purpose of  
17 financing improvements or additions to such project: *Pro-*  
18 *vided*, That a loan involving a nursing home covered by a  
19 mortgage insured under section 232 or a loan involving a  
20 group practice facility covered by a mortgage insured under  
21 title XI may also be made for the purpose of financing equip-  
22 ment to be used in the operation of such nursing home or  
23 facility.

24 "(b) To be eligible for insurance under this section, a  
25 supplemental loan shall—

1           “(1) be limited to 90 per centum of the amount  
2       which the Secretary estimates will be the value of such  
3       improvements, additions, and equipment, except that  
4       such amount, when added to the outstanding balance  
5       of the mortgage covering the project or facility, shall  
6       not exceed the maximum mortgage amount insurable  
7       under the section or title pursuant to which the mortgage  
8       covering such project or facility is insured;

9           “(2) have a maturity satisfactory to the Secretary  
10      but not to exceed the remaining term of the mortgage;

11          “(3) bear interest (exclusive of premium charges  
12      for insurance and service charges, if any) at not to ex-  
13      ceed such per centum per annum (not in excess of 6 per  
14      centum), on the amount of the principal obligation out-  
15      standing at any time, as the Secretary finds necessary to  
16      meet market conditions;

17          “(4) be secured in such manner as the Secretary  
18      may require;

19          “(5) be governed by the labor standards provisions  
20      of section 212 that are applicable to the section or title  
21      pursuant to which the mortgage covering the project  
22      or facility is insured; and

23          “(6) contains such other terms, conditions, and  
24      restrictions as the Secretary may prescribe.



1       “(c) The provisions of subsections (d), (e), (g),  
 2       (h), (i), (j), (k), (l), and (n) of section 207 shall be  
 3       applicable to loans insured under this section, except that  
 4       (1) all references to the term ‘mortgage’ shall be construed  
 5       to refer to the term ‘loan’ as used in this section, (2) loans  
 6       involving projects covered by a mortgage insured under  
 7       section 213 that is the obligation of the Cooperative Manage-  
 8       ment Housing Insurance Fund shall be insured under and  
 9       shall be the obligation of such fund, and (3) loans involving  
 10      projects covered by a mortgage insured under section 236  
 11      shall be insured under and shall be the obligation of the Spe-  
 12      cial Risk Insurance Fund.”

13      HOME IMPROVEMENT LOANS—INCREASE IN MAXIMUM  
 14      MATURITY, FINANCE CHARGE, AND LOAN AMOUNT

15      SEC. 309. Section 2 (b) of the National Housing Act is  
 16      amended by—

17               (1) striking out “\$3,500” and inserting in lieu  
 18               thereof “\$5,000”;

19               (2) striking out “five years” and inserting in lieu  
 20               thereof “seven years”;

21               (3) striking out “\$5 discount” and inserting in lieu  
 22               thereof “\$5.50 discount”; and

(4) striking out "\$4 discount" and inserting in lieu thereof "\$4.50 discount".

#### EXPERIMENTAL HOUSING PROGRAM

SEC. 310. Section 233 of the National Housing Act is amended by—

(1) striking out "of this title" immediately before the semicolon in subsection (b) and inserting in lieu thereof "or titles of this Act"; and

(2) striking out "of this title" in subsection (e) and inserting in lieu thereof "or title of this Act".

#### TERM OF FEDERAL HOUSING ADMINISTRATION MORTGAGES

#### FOR LAND DEVELOPMENT

SEC. 311. Section 1002 (d) (1) of the National Housing Act is amended—

(1) by striking out "seven" and inserting in lieu thereof "ten"; and

(2) by striking out the semicolon and inserting in lieu thereof the following: "*Provided*, That the Secretary may agree to a reasonable extension of the term of a mortgage, the maturity of which is limited by this paragraph to not more than ten years, if he determines that unusual or unforeseen circumstances



1        make such extension necessary to avoid undue hardship  
2        to the mortgagor;”.

3 REHABILITATED MULTIFAMILY PROJECTS IN URBAN RE-  
4 NEWAL AREAS

5        SEC. 312. (a) Section 220 (d) (3) (B) (ii) of the  
6 National Housing Act is amended by inserting immediately  
7 preceding the semicolon at the end thereof “: *Provided*  
8 *further*, That the mortgage may involve the financing of the  
9 purchase of property which has been rehabilitated by a local  
10 public agency with Federal assistance pursuant to section  
11 110 (c) (8) of the Housing Act of 1949, and, in such case,  
12 the foregoing limitations upon the amount of the mortgage  
13 shall be based upon the appraised value of the property as  
14 of the date the mortgage is accepted for insurance”.

(b) Section 221 (d) (3) (iii) of the National Housing Act is amended by inserting immediately preceding the colon at the end of the first proviso “: *Provided further*, That the mortgage may involve the financing of the purchase of property which has been rehabilitated by a local public agency with Federal assistance pursuant to section 110 (c) (8) of the Housing Act of 1949, and, in such case, the amount of the mortgage shall not exceed the appraised value of the property as of the date the mortgage is accepted for insurance”.

## 1 MISCELLANEOUS HOUSING INSURANCE

2 SEC. 313. (a) Section 223 of the National Housing Act  
3 is amended by—

4 (1) striking out that part of the text of subsection  
5 (a) which precedes the first numbered paragraph and  
6 inserting in lieu thereof the following: “Notwithstanding  
7 any of the provisions of this Act and without regard to  
8 limitations upon eligibility contained in any section or  
9 title of this Act, the Secretary is authorized, upon appli-  
10 cation by the mortgagee, to insure or make commitments  
11 to insure under any section or title of this Act any  
12 mortgage—”;

13 (2) striking out in the first and second provisos of  
14 subsection (a) (7) “applicable to loans insured under  
15 section 203, 207, 213, 220, 221, 222, 231, 232, or  
16 233, as the case may be” and inserting in lieu thereof  
17 “prescribed under the applicable section or title of this  
18 Act”;

19 (3) striking out in subsection (c) each time it  
20 appears “this title” and inserting in lieu thereof “this  
21 Act”;

22 (4) striking out in subsection (c) “title I, title II,  
23 title VI, title VII, title VIII, or title IX” and in-



1       serting in lieu thereof "any section or title of this  
2       Act"; and

3           (5) striking out at the end of subsection (c)  
4       "(except that in any case the payment of insurance  
5       shall be in debentures)".

6       (b) Section 223 (d) of such Act is amended by striking  
7       out all that follows "as he may prescribe," and inserting in  
8       lieu thereof the following: "insure under the same section  
9       as the original mortgage a loan by the mortgagee in an  
10      amount not exceeding the excess of the foregoing expenses  
11      over the project income. Such loan shall (1) bear interest  
12      (exclusive of premium charges for insurance) at not to  
13      exceed the per centum per annum currently permitted for  
14      mortgages insured under the section under which it is to  
15      be insured, (2) be secured in such manner as the Secretary  
16      shall require, and (3) be limited to a term not exceeding  
17      the unexpired term of the original mortgage. The Secretary  
18      is authorized to collect a premium charge for insurance of  
19      loans pursuant to this subsection in an amount computed at  
20      the same premium rate as is applicable to the original  
21      mortgage. This premium shall be payable in cash or in  
22      debentures of the insurance fund under which the loan is  
23      insured at par plus accrued interest. In the event of a failure  
24      of the borrower to make any payment due under such loan  
25      or under the original mortgage, both the loan and original

1 mortgage shall be considered in default, and if such default  
2 continues for a period of thirty days, the lender shall be  
3 entitled to insurance benefits, computed in the same manner  
4 as for the original mortgage, except that in determining the  
5 interest rate under section 224 for the debentures repre-  
6 senting the portion of the claim applicable to the loan, the  
7 date of the commitment to insure the loan and the insurance  
8 date of the loan shall be taken into consideration rather than  
9 the commitment or insurance date for the original mortgage.”

10 SUPPLEMENTARY LOANS FOR COOPERATIVE HOUSING PUR-  
11 CHASED FROM THE FEDERAL GOVERNMENT

12 SEC. 314. Section 213 (j) of the National Housing Act  
13 is amended by—

14 (1) inserting after the first sentence of paragraph  
15 (1) the following sentence: “The Secretary is further  
16 authorized to make commitments to insure and to insure  
17 supplementary cooperative loans (including advances  
18 during construction or improvement) with respect to  
19 any property purchased from the Federal Government  
20 by a nonprofit corporation or trust of the character  
21 described in paragraph (1) of subsection (a), if the  
22 property is covered by an uninsured mortgage repre-  
23 senting a part of the purchase price.”; and

24 (2) adding before the semicolon at the end of par-  
25 agraph (2) (B) the following: “, except that, in the



1 case of repairs or improvements to a property covered by  
2 an uninsured mortgage dated more than twenty years  
3 prior to the date of the commitment to insure, of such  
4 magnitude that the Secretary deems them to be a major  
5 rehabilitation or modernization of such property, the loan  
6 may have a maturity date up to ten years in excess of  
7 the remaining term of the uninsured mortgage”:

8 **EQUIPMENT IN NURSING HOMES**

9 SEC. 315. Section 232 of the National Housing Act is  
10 amended by—

11 (1) striking out the text of subsection (b) (2) and  
12 inserting in lieu thereof the following:

13 “(2) the term ‘mortgage’ means a first mortgage  
14 on real estate in fee simple, or on the interest of either  
15 the lessor or lessee thereof (A) under a lease for not  
16 less than ninety-nine years which is renewable, or (B)  
17 under a lease having a period of not less than fifty years  
18 to run from the date the mortgage was executed. The  
19 term ‘first mortgage’ means such classes of first liens as  
20 are commonly given to secure advances (including but  
21 not limited to advances during construction), on, or the  
22 unpaid purchase price of, real estate under the laws of  
23 the State in which the real estate is located, together  
24 with the credit instrument or instruments, if any, secured  
25 thereby, and any mortgage may be in the form of one or

1 more trust mortgages or mortgage indentures or deeds  
 2 of trust, securing notes, bonds, or other credit instru-  
 3 ments, and, by the same instrument or by a separate  
 4 instrument, may create a security interest in initial  
 5 equipment, whether or not attached to the realty. The  
 6 term 'mortgagor' shall have the meaning set forth in  
 7 section 207 (a) of this Act.";

8 (2) striking out the text in subsection (d) which  
 9 precedes the first numbered clause and inserting in lieu  
 10 thereof the following:

11 "(d) In order to carry out the purposes of this  
 12 section, the Secretary is authorized to insure any  
 13 mortgage which covers a new or rehabilitated nursing  
 14 home, including equipment to be used in its operation,  
 15 subject to the following conditions:"; and

16 (3) striking out "when the proposed improvements  
 17 are completed" before the period at the end of subsection  
 18 (d) (2) and inserting in lieu thereof the following:  
 19 ", including equipment to be used in the operation of the  
 20 nursing home, when the proposed improvements are  
 21 completed and the equipment is installed".

## 22 PROGRAMS

23 SEC. 316. Section 3 (a) of the Act entitled "An Act to  
 24 amend chapter 37 of title 38 of the United States Code with



1 respect to the veterans' home loan program, to amend the  
 2 National Housing Act with respect to interest rates on insured  
 3 mortgages, and for other purposes'', approved May 7, 1968,  
 4 is amended by inserting "235 (j) (2) (C), 240 (c) (4), 241  
 5 (b) (3)," after "234 (f),".

6 SALE OF REHABILITATED UNITS IN MULTIFAMILY  
 7 STRUCTURES

8 SEC. 317. (a) Section 221 (h) (2) (A) of the National  
 9 Housing Act is amended to read as follows:

10 "(A) be executed by a private nonprofit cor-  
 11 poration or association, approved by the Secretary,  
 12 for financing the purchase and rehabilitation (with the  
 13 intention of subsequent resale) of property comprising  
 14 one or more tracts or parcels, whether or not contiguous,  
 15 upon which there is located deteriorating or substandard  
 16 housing consisting of (i) four or more single-family  
 17 dwellings or detached, semidetached, or row construc-  
 18 tion, or (ii) four or more one-family units in a structure  
 19 or structures for which a plan of family unit ownership  
 20 approved by the Secretary is established;"

21 (b) Section 221 (h) of such Act is amended by adding  
 22 at the end thereof a new paragraph as follows:

23 "(6) Where the Secretary has approved a plan of  
 24 family unit ownership, the terms 'single-family dwelling',  
 25 'single-family dwellings', 'individual dwelling', and 'indi-

1   vidual dwellings' shall mean a family unit or family units,  
2   together with the undivided interest (or interests) in the  
3   common areas and facilities."

4   **TITLE IV—GUARANTEES FOR FINANCING NEW**  
5         **COMMUNITY LAND DEVELOPMENT**

6                     **CITATION**

7         **SEC. 401.** This title may be referred to as the "New  
8   Communities Act of 1968".

9                     **PURPOSE**

10         **SEC. 402.** It is the purpose of this title, by facilitating  
11   the enlistment of private capital in new community develop-  
12   ment, to encourage the development of new communities  
13   that—

14             (1) contribute to the general betterment of living  
15   conditions through the improved quality of community  
16   development made possible by a consistent design for  
17   the provision of homes, commercial and industrial facili-  
18   ties, public and community facilities, and open spaces;

19             (2) make substantial contributions to the sound  
20   and economic growth of the areas in which they are  
21   located;

22             (3) provide needed additions to the general housing  
23   supply;

24             (4) provide opportunities for innovation in hous-



1       ing and community development technology and in land  
2       use planning;

3           (5) enlarge housing and employment opportunities  
4       by increasing the range of housing choice and providing  
5       new investment opportunities for industry and com-  
6       merce; and

7           (6) encourage the maintenance and growth of a  
8       diversified local homebuilding industry.

9                           GUARANTEE AUTHORITY

10       SEC. 403. To carry out the purposes of this title the  
11       Secretary is authorized to guarantee, and enter into commit-  
12       ments to guarantee, the bonds, debentures, notes, and other  
13       obligations issued by new community developers to help fi-  
14       nance new community development projects. The Secretary  
15       may make such guarantees and enter into such commitments,  
16       subject to the limitations contained in sections 404 and 405,  
17       upon such terms and conditions as he may prescribe, taking  
18       into account (1) the large initial capital investment required  
19       to finance sound new communities, (2) the extended period  
20       before initial returns on this type of investment can be ex-  
21       pected, (3) the irregular pattern of cash returns characteris-  
22       tic of such investment, and (4) the financial and security in-  
23       terests of the United States in connection with guarantees  
24       made under this title.

## 1            ELIGIBLE NEW COMMUNITY DEVELOPMENT

2            SEC. 404. No guarantee or commitment to guarantee  
3 may be made under this title unless the Secretary has de-  
4 termined that—

5            (1) the proposed new community (A) will be  
6 economically feasible in terms of economic base or po-  
7 tential for growth, and (B) will contribute to the  
8 orderly growth and development of the area of which it  
9 is a part;

10           (2) there is a practicable plan (including appropri-  
11 ate time schedules) for financing the land acquisition and  
12 land development costs of the proposed new community  
13 and for improving and marketing the land which, giving  
14 due consideration to the public purposes of this title and  
15 the special problems involved in financing new com-  
16 munities, represents an acceptable financial risk to the  
17 United States;

18           (3) there is a sound internal development plan for  
19 the new community which (A) has received all govern-  
20 mental approvals required by State or local law or by  
21 the Secretary: and (B) is acceptable to the Secretary as  
22 providing reasonable assurance that the development  
23 will contribute to good living conditions in the area being  
24 developed, will be characterized by sound land use pat-



1       terns, will include a proper balance of housing for fami-  
2       lies of low and moderate income, and will include or  
3       be served by such shopping, school, recreational, trans-  
4       portation, and other facilities as the Secretary deems  
5       satisfactory; and

6               (4) the internal development plan is consistent with  
7       a comprehensive plan which covers, or with comprehen-  
8       sive planning being carried on for, the area in which the  
9       land is situated, and which meets criteria established by  
10      the Secretary for such comprehensive plans or planning.

11                               ELIGIBLE OBLIGATIONS

12      SEC. 405. (a) Any bond, debenture, note or other obli-  
13      gation guaranteed under this title shall—

14               (1) be issued by a new community developer, other  
15      than a public body, approved by the Secretary on the  
16      basis of financial, technical and administrative ability  
17      which demonstrates his capacity to carry out the pro-  
18      posed project;

19               (2) be issued to and held by investors approved  
20      by, or meeting requirements prescribed by, the Secre-  
21      tary, or if an offering to the public is contemplated, be  
22      underwritten upon terms and conditions approved by  
23      the Secretary;

24               (3) be issued to finance a program of land devel-  
25      opment (including acquisition or use of land) approved

1 by the Secretary: *Provided*, That the Secretary shall,  
2 through cost certification procedures, escrow or trustee-  
3 ship requirements, or other means, insure that all pro-  
4 ceeds from the sale of obligations guaranteed under this  
5 title are expended pursuant to such program;

6 (4) involve a principal obligation in an amount  
7 not to exceed the lesser of (A) 80 per centum of the  
8 Secretary's estimate of the value of the property upon  
9 completion of the land development or (B) the sum  
10 of 75 per centum of the Secretary's estimate of the  
11 value of the land before development and 90 per centum  
12 of his estimate of the actual cost of the land development;

13 (5) bear interest at a rate satisfactory to the Sec-  
14 retary, such interest to be exclusive of any service  
15 charges and fees that may be approved by the Secretary;

16 (6) contain repayment and maturity provisions sat-  
17 isfactory to the Secretary; and

18 (7) contain provisions which the Secretary shall  
19 prescribe with respect to the protection of the security  
20 interests of the United States (including subrogation pro-  
21 visions), liens and releases of liens, payment of taxes,  
22 and such other matters as the Secretary may, in his dis-  
23 cretion, prescribe.

24 (b) The outstanding principal obligations guaranteed



1 under this title with respect to a single new community  
2 development project shall at no time exceed \$50,000,000.

3 FEES AND CHARGES

4 SEC. 406. The Secretary is authorized to establish and  
5 collect fees for guarantees made under this title and may  
6 make such charges as he considers reasonable for the analy-  
7 sis of development and financing plans and for appraisals  
8 and inspections related to new community development proj-  
9 ects. On or before January 1, 1970, the Secretary shall  
10 make a report to the Congress concerning the fees and other  
11 charges under this title that he estimates will be adequate to  
12 provide income sufficient for a self-supporting program.

13 GUARANTEE FUND

14 SEC. 407. (a) To provide for the payment of any lia-  
15 bilities incurred as a result of guarantees made under this  
16 title, the Secretary is authorized to establish a revolving fund  
17 which shall be comprised of (1) receipts from fees and  
18 charges; (2) recoveries under security or subrogation rights  
19 or other rights, and any other receipts obtained in connection  
20 with such guarantees; and (3) such sums, which are hereby  
21 authorized to be appropriated, as may be required for pro-  
22 gram operations and nonadministrative expenses and to make  
23 any and all payments guaranteed under this title.

24 (b) The full faith and credit of the United States is

1 pledged to the payment of all guarantees made under this  
2 title with respect to both principal and interest, including  
3 (1) interest, as may be provided for in the guarantee,  
4 accruing between the date of default under a guaranteed  
5 obligation and the payment in full of the guarantee, and (2)  
6 principal and interest due under any debentures issued by  
7 the Secretary toward payment of guarantees made under  
8 this title.

9 (c) Notwithstanding any other provision of law relating  
10 to the acquisition, handling, improvement, or disposal of real  
11 and other property by the United States, the Secretary shall  
12 have power, for the protection of the interests of the guaran-  
13 tee fund authorized under this section, to pay out of such  
14 fund all expenses or charges in connection with the acqui-  
15 sition, handling, improvement, or disposal of any property  
16 acquired by him under this title; and notwithstanding any  
17 other provision of law, the Secretary shall also have power to  
18 pursue to final collection by way of compromise or other-  
19 wise all claims acquired by him in connection with any se-  
20 curity, subrogation, or other rights obtained by him in carry-  
21 ing out this title.

22 (d) The aggregate of the outstanding principal obliga-  
23 tions guaranteed under this title shall at no time exceed  
24 \$500,000,000.



## INCONTESTABILITY

SEC. 408. Any guarantee made by the Secretary under this title shall be conclusive evidence of the eligibility of the obligations for such guarantee, and the validity of any guarantee so made shall be incontestable in the hands of a qualified holder of the guaranteed obligation except for fraud or material misrepresentation on the part of such holder.

## ENCOURAGEMENT OF SMALL BUILDERS

SEC. 409. The Secretary shall adopt such requirements as he deems necessary to assure that new community construction assisted under this title will encourage the maintenance of a diversified local homebuilding industry and broad participation by builders, particularly small builders.

## LABOR

SEC. 410. All laborers and mechanics employed by contractors or subcontractors in land development assisted under section 403 shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5). No assistance shall be extended under section 403 for land development without first obtaining adequate assurance that these labor standards will be maintained upon the construction work involved in such development. The Secretary of Labor shall have, with respect to the labor standards specified

1 in this section, the authority and functions set forth in Reor-  
2 ganization Plan Numbered 14 of 1950 (64 Stat. 1267), and  
3 section 2 of the Act of June 13, 1934 (40 U.S.C. 276c).

#### 4 REAL PROPERTY TAXATION

5 SEC. 411. Nothing in this title shall be construed to  
6 exempt any real property that may be acquired and held by  
7 the Secretary as a result of the exercise of lien or subroga-  
8 tion rights from real property taxation to the same extent,  
9 according to its value, as other real property is taxed.

#### 10 SUPPLEMENTARY GRANTS

11 SEC. 412. (a) The Secretary is authorized to make  
12 supplementary grants to State and local public bodies and  
13 agencies carrying out new community assistance projects,  
14 as defined in section 415(c), if the Secretary determines  
15 that such grants are necessary or desirable for carrying out  
16 a new community development project approved for assist-  
17 ance under section 403, and that a substantial number of  
18 housing units for low and moderate income persons is to be  
19 made available through such development project.

20 (b) In no case shall any grant under this section exceed  
21 20 per centum of the cost of the new community assistance  
22 project for which the grant is made; and in no case shall the  
23 total Federal contributions to the cost of such project be  
24 more than 80 per centum.



1       (c) In carrying out his authority under this section the  
2 Secretary shall consult with the Secretary of Agriculture  
3 with respect to new community assistance projects assisted  
4 by that Department, and he shall, for the purpose of sub-  
5 section (b), accept that Department's certifications as to  
6 the cost of such projects.

7       (d) There are authorized to be appropriated for grants  
8 under this section not to exceed \$5,000,000 for the fiscal year  
9 ending June 30, 1969, and not to exceed \$25,000,000 for  
10 the fiscal year ending June 30, 1970. Any amounts so  
11 appropriated shall remain available until expended, and any  
12 amounts authorized for any fiscal year under this subsection  
13 but not appropriated may be appropriated for any succeeding  
14 fiscal year commencing prior to July 1, 1970.

15       GENERAL PROVISIONS AND RULES AND REGULATIONS

16       SEC. 413. In the performance of, and with respect to,  
17 the functions, powers, and duties vested in him by this title,  
18 the Secretary shall (in addition to any authority otherwise  
19 vested in him) have the functions, powers, and duties (in-  
20 cluding the authority to issue rules and regulations) set  
21 forth in section 402, except subsections (c) (2), (d), and  
22 (f), of the Housing Act of 1950: *Provided*, That subsec-  
23 tion (a) (1) of section 402 shall not apply with respect to  
24 functions, powers, and duties under section 412 of this title.

## 1           AUDIT BY GENERAL ACCOUNTING OFFICE

2           SEC. 414. The financial transactions of recipients of Fed-  
3 eral grants or developers whose obligations are guaranteed  
4 by the United States pursuant to this title may be audited by  
5 the General Accounting Office under such rules and regula-  
6 tions as may be prescribed by the Comptroller General of the  
7 United States. The representatives of the General Accounting  
8 Office shall have access to all books, accounts, records, re-  
9 ports, files, and all other papers, things, or property belong-  
10 ing to or in use by such developers or recipients of grants  
11 pertaining to their financial transactions and necessary to  
12 facilitate the audit.

## 13                           DEFINITIONS

14           SEC. 415. As used in this title—

15           (a) The term “land development” means the process  
16 of grading land, making, installing, or constructing water  
17 lines and water supply installations, sewer lines and sewage  
18 disposal installations, steam, gas, and electric lines and in-  
19 stallations, roads, streets, curbs, gutters, sidewalks, storm  
20 drainage facilities, and other installations or work, whether  
21 on or off the site, which the Secretary deems necessary or  
22 desirable to prepare land for residential, commercial, indus-  
23 trial, or other uses, or to provide facilities for public or com-  
24 mon use. The term “land development” shall not include any



1 building unless it is (1) a building which is needed in con-  
2 nection with a water supply or sewage disposal installation  
3 or a steam, gas, or electric line or installation, or (2) a  
4 building, other than a school, which is to be owned and  
5 maintained jointly by the residents of the new community  
6 or is to be transferred to public ownership, but not prior  
7 to its completion.

8 (b) The term "actual costs" means the costs (exclu-  
9 sive of rebates or discounts) incurred by a new community  
10 developer in carrying out the land development assisted  
11 under this title. These costs may include amounts paid for  
12 labor, materials, construction contracts, land planning, engi-  
13 neers' and architects' fees, surveys, taxes, and interest dur-  
14 ing development, organizational and legal expenses, such  
15 allocation of general overhead expenses as are acceptable to  
16 the Secretary, and other items of expense incidental to devel-  
17 opment which may be approved by the Secretary. If the  
18 Secretary determines that there is an identity of interest  
19 between the new community developer and a contractor,  
20 there may be included as a part of actual costs an allowance  
21 for the contractor's profit in an amount deemed reasonable  
22 by the Secretary.

23 (c) The term "new community assistance projects"  
24 means projects assisted by grants made under section 702  
25 of the Housing and Urban Development Act of 1965, sec-

1 tion 306 (a) (2) of the Consolidated Farmers' Home Admin-  
2 istration Act, or title VII of the Housing Act of 1961.

3 CONFORMING AMENDMENTS

4 SEC. 416. (a) Section 202 (b) (4) of the Housing  
5 Amendments of 1955 is amended by adding before the  
6 period at the end of the second sentence "or under title IV  
7 of the Housing and Urban Development Act of 1968".

8 (b) The first paragraph of section 24 of the Federal  
9 Reserve Act is amended by striking out all that follows  
10 "national banking association" in the fourth sentence and  
11 adding "may make loans or purchase obligations for land  
12 development which are secured by mortgages insured under  
13 title X of the National Housing Act or guaranteed under  
14 title IV of the Housing and Urban Development Act of  
15 1968."

16 (c) The next to last paragraph of section 5 (c) of the  
17 Home Owners' Loan Act of 1933 is amended by adding at  
18 the end thereof the following new sentence: "Without regard  
19 to any other provision of this subsection, an association may  
20 invest in loans or obligations, or interests therein, as to which  
21 the association has the benefit of any guaranty under title IV  
22 of the Housing and Urban Development Act of 1968 as now  
23 or hereafter in effect, or of a commitment or agreement there-  
24 for, and such investments shall not be included in any per-



1 centage of assets or other percentage referred to in this  
2 subsection.”

3 TITLE V—URBAN RENEWAL

4 SEC. 501. (a) Title I of the Housing Act of 1949 is  
5 amended by adding after the title heading the following new  
6 subheading:

7 “PART A—URBAN RENEWAL PROJECTS, DEMOLITION PRO-  
8 GRAMS, AND CODE ENFORCEMENT PROGRAMS”

9 (b) Title I of such Act is further amended by adding at  
10 the end thereof the following new part:

11 “PART B—NEIGHBORHOOD DEVELOPMENT PROGRAMS

12 “PURPOSE AND AUTHORITY

13 “SEC. 131. (a) To facilitate more rapid renewal and  
14 development of urban areas on an effective scale, and to en-  
15 courage more efficient and flexible utilization of public and  
16 private development opportunities by local communities in  
17 such areas, the Secretary is authorized to make financial as-  
18 sistance available under this title to local public agencies  
19 for undertakings and activities which are carried out under a  
20 neighborhood development program approved by him pur-  
21 suant to this part.

22 “(b) A neighborhood development program shall con-  
23 sist of urban renewal project undertakings and activities in  
24 one or more urban renewal areas which are planned and  
25 carried out on the basis of annual increments in accordance

1 with the provisions of this title for planning and carrying out  
2 urban renewal projects, except as modified by the provisions  
3 of this part.

4 “(c) No application for financial assistance in planning  
5 and carrying out a neighborhood development program shall  
6 be approved by the Secretary unless—

7 “(1) the governing body of the locality has, by  
8 resolution or ordinance, approved the proposed program  
9 and the annual increment covered by the application  
10 and authorized the filing of the application for financial  
11 assistance; and

12 “(2) the Secretary has concluded that there is the  
13 necessary capacity to carry out the undertakings and  
14 activities included under the program.

15 “FINANCIAL PROVISIONS

16 “SEC. 132. (a) Upon the approval of a neighborhood  
17 development program by the Secretary, the cost of any under-  
18 takings and activities authorized as part of the program shall  
19 be financed in accordance with the loan, capital grant, and  
20 project cost provisions of part A, except:

21 “(1) net project cost may be calculated on the basis  
22 of costs incurred and proceeds derived for the account  
23 of the program during a specified twelve-month period,  
24 and may be recalculated for succeeding periods of twelve



1 months to reflect additional costs and additional proceeds  
2 since the date of the last computation or recomputation;  
3 and

4 “(2) if property has been acquired but not disposed  
5 of prior to the computation or recomputation of net proj-  
6 ect cost, temporary loans made or secured under this title  
7 to finance undertakings or activities included in the pro-  
8 gram may remain outstanding until the property has  
9 been disposed of and the proceeds thereof, together with  
10 additional funds becoming available to the program, are  
11 sufficient to permit repayment of the loans.

12 “(b) In the event that gross project cost as computed  
13 for a specified twelve-month period is exceeded, with respect  
14 to that period, by the sum of (1) the sales price of land  
15 or other property sold, and (2) the imputed capital value  
16 of land or other property leased or retained by the local  
17 public agency in accordance with the provisions of the urban  
18 renewal plan, the local public agency shall pay to the  
19 Secretary two-thirds of the excess (or three-fourths in the  
20 case of a program on a three-fourths grant basis), which  
21 amount shall be available to the Secretary for grant payments  
22 under section 103.

23 “LOCAL GRANTS-IN-AID

24 “SEC. 133. (a) For the purpose of determining the  
25 eligibility of local grants-in-aid in connection with under-

1 takings and activities carried out under a neighborhood  
2 development program, the three-year period referred to in  
3 section 110 (d) shall be deemed to be a period of three  
4 years prior to the authorization by the Secretary of the  
5 first contract for financial assistance under the program which  
6 includes the urban renewal area which is benefited by the  
7 public improvement or facility for which credit is claimed;  
8 and the seven-year period referred to in clause (1) of sec-  
9 tion 112 (b) shall be deemed to be a period of seven years  
10 prior to the date of authorization by the Secretary of the  
11 first contract for financial assistance under the program which  
12 includes the urban renewal area which is benefited by the  
13 expenditures for which credit is claimed.

14 “(b) No portion of the cost of a public improvement or  
15 public facility (to the extent otherwise eligible) may be in-  
16 cluded as a local grant-in-aid in computing the gross project  
17 cost of an approved program for any twelve-month period—

18 “(1) prior to commencement of construction of the  
19 improvement or facility, or

20 “(2) in excess of the amount actually expended or  
21 obligated by contract.

22 “(c) The provisions of section 104 with respect to the  
23 pooling of local grants-in-aid among the various projects  
24 undertaken by a local public agency shall not be applicable  
25 with respect to any excess local grants-in-aid resulting from



1 the urban renewal projects contained in a neighborhood de-  
2 velopment program.

3 "GENERAL PROVISIONS

4 "SEC. 134. (a) For purposes of this part—

5 " (1) the workable program requirement in section  
6 101 (c) shall apply to the authorization, rather than the  
7 execution, of any contract for loans or capital grants;

8 " (2) capital grants on a three-fourths basis may  
9 only be made under section 103 (a) (2) (B) ;

10 " (3) the relocation requirements specified in sec-  
11 tion 105 (c) shall apply to each annual increment of an  
12 approved program;

13 " (4) section 106 (g) (relating to transient hous-  
14 ing) shall apply to activities undertaken under approved  
15 programs, except that the determination as to need for  
16 transient housing shall be made with respect to any sale  
17 or lease of land for construction of such housing prior to  
18 such sale or lease; and

19 " (5) the requirement concerning demolition and  
20 removal of buildings and improvements stated in clause  
21 (A) of the sentence following paragraph (10) of sec-  
22 tion 110 (c) shall apply to each annual increment of an  
23 approved program.

24 " (b) The approval by the Secretary of financial assist-

1   ance for one or more annual increments of a neighborhood  
2   development program shall not be considered as obligating  
3   him to provide financial assistance for any subsequent annual  
4   increments.

5       “(c) The urban renewal plan referred to in section 110  
6   (b) may cover one or more of the urban renewal areas cov-  
7   ered by a neighborhood development program and such plan  
8   may be modified from time to time to cover additional urban  
9   renewal areas added to the program. The Secretary may  
10   establish such requirements, as he deems appropriate, pre-  
11   scribing the scope and content of such plan, taking into con-  
12   sideration, among other matters, the degree of detail needed  
13   in the plan to properly and expeditiously carry out the activi-  
14   ties and undertakings proposed in any annual increment of a  
15   neighborhood development program.”

16                   INCREASED   AUTHORIZATION

17       SEC. 502. (a) Section 103 (b) of the Housing Act  
18   of 1949 is amended by striking out in the first sentence  
19   everything after “exceed” and inserting in lieu thereof “\$7,-  
20   600,000,000, which amount shall be increased by \$1,400,-  
21   000,000 on July 1, 1969.”

22       (b) Section 103 (b) of such Act is further amended by  
23   striking out “\$250,000,000” in the second sentence and in-  
24   serting in lieu thereof “\$600,000,000”.



## REHABILITATION GRANTS

1  
2 SEC. 503. (a) The second sentence of section 115 (a)  
3 of the Housing Act of 1949 is amended by striking out the  
4 words "a structure" and "structure" and inserting in lieu  
5 thereof "real property".

6 (b) Section 115 (b) of such Act is amended by striking  
7 out "\$1,500" and inserting in lieu thereof "\$2,500".

8 (c) Section 115 (a) of such Act is amended by insert-  
9 ing "(1)" after "(a)", and by adding at the end thereof  
10 a new paragraph as follows:

11 "(2) In addition to the authority conferred by para-  
12 graph (1), and notwithstanding any other provision of this  
13 title, the Secretary is authorized, through the utilization of  
14 local public agencies where feasible, to make grants (payable  
15 from any grant funds provided under section 103 (b)) to an  
16 individual or family, as described in subsection (b), to cover  
17 the cost of repairs and improvements necessary to make real  
18 property owned and occupied by such individual or family  
19 conform to public standards for decent, safe, and sanitary  
20 housing. No grants shall be made under this paragraph in the  
21 case of any property, unless (A) such property is in an area  
22 within a locality (other than an urban renewal area) which  
23 the governing body of the locality has determined, and so

1 certifies to the Secretary, contains a substantial number of  
 2 structures in need of such repairs and improvements, (B)  
 3 there is in effect for the locality a workable program meeting  
 4 the requirements of section 101 (c), and (C) the area is  
 5 scheduled for rehabilitation or concentrated code enforcement  
 6 within a reasonable time, and such repairs and improvements  
 7 to any property are consistent with the plan for rehabilita-  
 8 tion or concentrated code enforcement.”

#### 9 REHABILITATION IN URBAN RENEWAL AREAS

10 SEC. 504. Section 110 (c) (8) of the Housing Act of  
 11 1949 is amended by striking out (1) “guidance purposes,  
 12 and”, and (2) the proviso at the end thereof.

#### 13 DISPOSITION OF PROPERTY FOR LOW AND MODERATE

#### 14 INCOME HOUSING

15 SEC. 505. Section 107 (a) of the Housing Act of 1949  
 16 is amended by—

17 (1) inserting “, section 221 (h) (1), section 235  
 18 (j) (1), or section 236” after “or (d) (4)”;

19 (2) inserting “or lessee” after “purchaser” where it  
 20 appears and “or lease” after “purchase”;

21 (3) striking out “rental or cooperative”; and

22 (4) striking out “moderate” and inserting in lieu  
 23 thereof “low or moderate”.



1 GRANTS FOR LOW AND MODERATE INCOME HOUSING IN  
2 OPEN LAND PROJECTS

3 SEC. 506. Section 103 (a) (1) of the Housing Act of  
4 1949 is amended by inserting before the period at the end  
5 thereof the following: “, except that he may contract for  
6 a grant in an amount not to exceed two-thirds of the differ-  
7 ence between the proceeds from any land disposed of pur-  
8 suant to section 107, and the fair value of the land without  
9 regard to such section”.

10 URBAN RENEWAL LOAN CONTRACTS

11 SEC. 507. (a) Section 102 (c) of the Housing Act of  
12 1949 is amended by:

13 (1) striking out “at interest rates lower than pro-  
14 vided in the loan contract” in the first sentence; and

15 (2) inserting before the period at the end of the  
16 first sentence the following: “: *Provided*, That, if at  
17 any time during the undertaking of the project, the inter-  
18 est rate on such a loan from a source other than the  
19 Federal Government is greater than the rate at which  
20 funds could be made available under the Federal loan  
21 contract, the Secretary may make a supplemental grant  
22 to the local public agency in the amount of the difference  
23 between the interest cost from such sources and the  
24 interest cost at the contract rate, and no part of the

1 amount of any such grant shall be required to be con-  
2 tributed as a part of the local grant-in-aid”.

3 (b) Loan contracts outstanding on the date of enact-  
4 ment of this section may be amended to incorporate the  
5 provisions authorized by the amendment contained in sub-  
6 section (a) without regard to the proviso in section 110 (g)  
7 of the Housing Act of 1949.

8 PROJECT COMPLETION PRIOR TO DISPOSITION OF CERTAIN  
9 PROPERTY

10 SEC. 508. (a) Section 106 of the Housing Act of 1949  
11 is amended by adding at the end thereof the following new  
12 subsection:

13 “(i) Upon a determination by the Secretary that (1)  
14 not more than 5 per centum of the total area of land ac-  
15 quired as part of an urban renewal project remains to be  
16 disposed, (2) the local public agency does not expect  
17 to be able, due to circumstances beyond its control, to dis-  
18 pose of such land in the near future, (3) all other project  
19 activities are completed, and (4) the local public agency  
20 has agreed to dispose of or retain such land for uses in ac-  
21 cordance with the urban renewal plan, the urban renewal  
22 project may be deemed completed, and the net project cost  
23 may be computed and the capital grant paid.”

24 (b) Section 110 (f) of such Act is amended by insert-



1 ing before the period at the end thereof the following: "or  
2 for subsequent disposition or retention as provided under  
3 section 106 (i)".

#### 4 DEMOLITION GRANTS

5 SEC. 509. (a) The first sentence of section 116 (a) of  
6 the Housing Act of 1949 is amended by inserting after "un-  
7 sound" the following: ", a harborage or potential harborage  
8 of rats,".

9 (b) Section 116 (b) of such Act is amended by insert-  
10 ing after the comma at the end of clause (2) the following:  
11 "or will be consistent with a systematic rodent control pro-  
12 gram being undertaken in the neighborhood,".

#### 13 AIR RIGHTS SITES IN URBAN RENEWAL AREAS

14 SEC. 510. (a) Section 110 (c) (1) (iv) of the Hous-  
15 ing Act of 1949 is amended by striking out "for use for indus-  
16 trial development" and inserting in lieu thereof "for use for  
17 the development of industrial or educational facilities".

18 (b) Section 110 (c) (7) of such Act is amended by  
19 striking out "for industrial development" and inserting in  
20 lieu thereof "for the development of industrial or educational  
21 facilities".

#### 22 INTERIM ASSISTANCE FOR BLIGHTED AREAS

23 SEC. 511. Title I of the Housing Act of 1949 is amended  
24 by adding after section 117 a new section as follows:

## 1 "INTERIM ASSISTANCE FOR BLIGHTED AREAS

2 "SEC. 118. Notwithstanding any other provision of this  
3 title, the Secretary is authorized to enter into contracts (in  
4 an aggregate amount not to exceed \$20,000,000 in any  
5 fiscal year) to make, and to make, grants as provided in this  
6 section (payable from any grant funds provided under section  
7 103 (b) ) to cities, other municipalities, and counties for the  
8 purpose of assisting such localities in carrying out programs to  
9 alleviate harmful conditions in slum and blighted areas which  
10 are planned for substantial clearance, rehabilitation, or fed-  
11 erally assisted code enforcement in the near future but in  
12 which some immediate public action is needed until clear-  
13 ance, rehabilitation, or code enforcement activities can be  
14 undertaken. Such grants shall not exceed two-thirds (or  
15 three-fourths in the case of any city, other municipality,  
16 or county having a population of fifty thousand or less  
17 according to the most recent decennial census) of the  
18 cost of planning and carrying out programs which may  
19 include (1) the repair of streets, sidewalks, parks, play-  
20 grounds, publicly owned utilities, and public buildings to  
21 meet needs consistent with the short-term continued use  
22 of the area prior to the undertaking of the contemplated  
23 clearance or upgrading activities, (2) the improvement of  
24 private properties to the extent needed to eliminate the most



1 immediate dangers to public health and safety, (3) the  
2 demolition of structures determined to be structurally un-  
3 sound or unfit for human habitation and which constitute a  
4 public nuisance and serious hazard to the public health and  
5 safety, (4) the establishment of temporary public play-  
6 grounds on vacant land within the area, and (5) the im-  
7 provement of garbage and trash collection, street cleaning,  
8 and similar activities. The Secretary shall encourage, wher-  
9 ever feasible, the employment of otherwise unemployed or  
10 underemployed residents of the area in carrying out the  
11 activities and undertakings assisted under this section. The  
12 provisions of sections 101 (c), 106, and 114 shall be appli-  
13 cable to activities and undertakings assisted under this  
14 section to the same extent as if such activities and under-  
15 takings were being carried out in an urban renewal area  
16 as part of an urban renewal project.”

17 REHABILITATION LOANS

18 SEC. 512. (a) Section 312 (a) of the Housing Act of  
19 1964 is amended to read as follows:

20 “SEC. 312. (a) The Secretary is authorized, through  
21 the utilization of local public and private agencies where  
22 feasible, to make loans as herein provided to the owners  
23 and tenants of property to finance the rehabilitation of such  
24 property. No loan shall be made under this section unless—

25 “(1) (A) the property is situated in an urban re-

1 newal area or an area in which a program of concen-  
2 trated code enforcement activity is being carried out  
3 pursuant to section 117 of the Housing Act of 1949,  
4 and the rehabilitation is required to make the property  
5 conform to applicable code requirements or to carry out  
6 the objectives of the urban renewal plan for the area; or

7 “(B) (i) the property is in an area (other than  
8 an area described in subparagraph (A)) which the  
9 governing body of the locality has determined, and so  
10 certifies to the Secretary, contains a substantial number  
11 of structures in need of rehabilitation, (ii) there is in  
12 effect for the locality a workable program meeting the  
13 requirements of section 101(c) of the Housing Act  
14 of 1949, (iii) the property is residential and owner-  
15 occupied, (iv) the property is in need of rehabilitation  
16 and is in violation of the local minimum housing or  
17 similar code, and (v) the area is scheduled for rehabili-  
18 tation or concentrated code enforcement within a reason-  
19 able time, and the rehabilitation of this property is  
20 consistent with the plan for rehabilitation or code  
21 enforcement.

22 “(2) the applicant is unable to secure the necessary  
23 funds from other sources upon comparable terms and  
24 conditions; and

25 “(3) the loan is an acceptable risk taking into



1 consideration the need for the rehabilitation, the security  
2 available for the loan, and the ability of the applicant  
3 to repay the loan.”

4 (b) Section 312 (h) of such Act is amended by striking  
5 out “October 1, 1969” and inserting in lieu thereof “Octo-  
6 ber 1, 1970”.

7 LOW AND MODERATE INCOME HOUSING IN RESIDENTIAL  
8 URBAN RENEWAL AREAS

9 SEC. 513. Section 105 (f) of the Housing Act of 1949  
10 is amended to read as follows:

11 “(f) A majority of the housing units provided in urban  
12 renewal areas which will be redeveloped for predominantly  
13 residential uses and which receive Federal recognition after  
14 the date of enactment of the Housing and Urban Develop-  
15 ment Act of 1968 shall be standard housing units for low  
16 or moderate income families or individuals.”

17 TITLE VI—URBAN PLANNING AND FACILITIES

18 COMPREHENSIVE PLANNING

19 SEC. 601. Section 701 of the Housing Act of 1954 is  
20 amended to read as follows:

21 “COMPREHENSIVE PLANNING

22 “SEC. 701. (a) In order to assist State and local gov-  
23 ernments in solving planning problems, including those re-  
24 sulting from the increasing concentration of population in  
25 metropolitan and other urban areas and the out-migration

1 from and lack of coordinated development of resources and  
2 services in rural areas; to facilitate comprehensive planning  
3 for urban and rural development, including coordinated  
4 transportation systems, on a continuing basis by such govern-  
5 ments; and to encourage such governments to establish and  
6 improve planning staffs and techniques on an areawide basis,  
7 and to engage private consultants where their professional  
8 services are deemed appropriate by the assisted govern-  
9 ments, the Secretary is authorized to make planning grants  
10 to—

11 “(1) State planning agencies for the provision of  
12 planning assistance to (A) cities and other municipali-  
13 ties having a population of less than 50,000 according  
14 to the latest decennial census, and counties without  
15 regard to population: *Provided*, That grants shall be  
16 made under this paragraph for planning assistance to  
17 counties having a population of 50,000 or more, accord-  
18 ing to the latest decennial census, which are within  
19 metropolitan areas, only if (i) the Secretary finds that  
20 planning and plans for such county will be coordinated  
21 with the program of comprehensive planning, if any,  
22 which is being carried out for the metropolitan area of  
23 which the county is a part, and (ii) the aggregate  
24 amount of the grants made subject to this proviso does  
25 not exceed 15 per centum of the aggregate amount



1 appropriated, after September 2, 1964, for the purposes  
2 of this section, (B) any group of adjacent communities,  
3 either incorporated or unincorporated, having a total  
4 population of less than 50,000 according to the latest  
5 decennial census and having common or related urban  
6 planning problems, (C) cities, other municipalities, and  
7 counties, referred to in paragraph (3) of this subsection  
8 and areas referred to in paragraph (4) of this subsection,  
9 and (D) Indian reservations;

10 “(2) State, metropolitan, and regional planning  
11 agencies for metropolitan or regional planning;

12 “(3) cities, other municipalities, and counties which  
13 (A) are situated in redevelopment areas or economic  
14 development districts designated by the Secretary of  
15 Commerce under title IV of the Public Works and Economic  
16 Development Act of 1965, or (B) have suffered  
17 substantial damage as a result of a catastrophe  
18 which the President, pursuant to section 2(a) of ‘An  
19 Act to authorize Federal assistance to States and local  
20 governments in major disasters, and for other purposes’,  
21 approved September 30, 1950, as amended (42 U.S.C.  
22 1855a), has determined to be a major disaster;

23 “(4) official governmental planning agencies for  
24 areas where rapid urbanization has resulted or is expected  
25 to result from the establishment or rapid and substantial

1 expansion of a Federal installation, or for areas where  
2 rapid urbanization is expected to result on land developed  
3 or to be developed as a new community approved under  
4 section 1004 of the National Housing Act, or title IV of  
5 the Housing and Urban Development Act of 1968;

6 “(5) States for State and interstate comprehensive  
7 planning and for research and coordination activity re-  
8 lated thereto, including technical and other assistance  
9 for the establishment and operation of intrastate and  
10 interstate planning agencies;

11 “(6) State planning agencies for assistance to dis-  
12 trict planning, or planning for areas within districts,  
13 carried on by or for district planning agencies;

14 “(7) metropolitan and regional planning agencies,  
15 with the approval of the State planning agency or (in  
16 States where no such planning agency exists) of the  
17 Governor of the State, for the provision of planning  
18 assistance within the metropolitan area or region to  
19 cities, other municipalities, counties, groups of adjacent  
20 communities, or Indian reservations described in clauses  
21 (A), (B), (C), and (D) of paragraph (1) of this  
22 subsection;

23 “(8) official governmental planning agencies for  
24 any area where there has occurred a substantial reduc-



1       tion in employment opportunities as the result of (A)  
2       the closing (in whole or in part) of a Federal instal-  
3       lation, or (B) a decline in the volume of Government  
4       orders for the procurement of articles or materials pro-  
5       duced or manufactured in such area;

6           “(9) tribal planning councils or other tribal bodies  
7       designated by the Secretary of the Interior for planning  
8       for an Indian reservation;

9           “(10) the various regional commissions established  
10      by the Appalachian Regional Development Act of 1965  
11      or under the Public Works and Economic Develop-  
12      ment Act of 1965 for comprehensive planning for the  
13      regions established under such Acts (or State agencies  
14      or instrumentalities participating in such planning) ; and

15          “(11) local development districts, certified under  
16      section 301 of the Appalachian Regional Development  
17      Act of 1965, for comprehensive planning for their en-  
18      tire areas, or for metropolitan planning, urban planning,  
19      county planning, or small municipality planning within  
20      such areas in the Appalachian region, and for planning  
21      for Appalachian regional programs.

22      Planning assisted under this section shall, to the maximum  
23      extent feasible, cover entire areas having common or related  
24      development problems. The Secretary shall encourage co-  
25      operation in preparing and carrying out plans among all

1 interested municipalities, political subdivisions, public agen-  
2 cies, and other parties in order to achieve coordinated devel-  
3 opment of entire areas. To the maximum extent feasible,  
4 pertinent plans and studies already made for areas shall be  
5 utilized so as to avoid unnecessary repetition of effort and  
6 expense. Planning which may be assisted under this section  
7 includes the preparation of comprehensive transportation  
8 surveys, studies, and plans to aid in solving problems of traf-  
9 fic congestion, facilitating the circulation of people and goods  
10 in metropolitan and other areas and reducing transportation  
11 needs. Planning carried out with assistance under this section  
12 shall also include a housing element as part of the prepara-  
13 tion of comprehensive land use plans, and this consideration  
14 of the housing needs and land use requirements for housing in  
15 each comprehensive plan shall take into account all available  
16 evidence of the assumptions and statistical basis upon which  
17 the projection of zoning, community facilities, and popula-  
18 tion growth is based, so that the housing needs of both the  
19 region and the local communities studied in the planning will  
20 be adequately covered in terms of existing and prospective  
21 in-migrant population growth. Funds available under this  
22 section shall be in addition to and may be used jointly with  
23 funds available for planning surveys and investigations under  
24 other federally aided programs, and nothing contained in this  
25 section shall be construed as affecting the authority of the



1 Secretary of Transportation under section 307 of title 23,  
2 United States Code.

3 “(b) A planning grant made under subsection (a)  
4 shall not exceed two-thirds of the estimated cost of the work  
5 for which the grant is made: *Provided*, That such a grant  
6 may be made for up to 75 per centum of such estimated  
7 cost when made for planning primarily for (1) redevelop-  
8 ment areas, local development districts, or economic de-  
9 velopment districts, or portions thereof, described in para-  
10 graphs (3) (A) and (11) of subsection (a), (2) areas  
11 described in subsection (a) (8), and (3) the various regions,  
12 as described in subsection (a) (10). All grants made under  
13 this section shall be subject to terms and conditions pre-  
14 scribed by the Secretary. No portion of any grant made  
15 under this section shall be used for the preparation of plans  
16 for specific public works. The Secretary is authorized, not-  
17 withstanding the provisions of section 3648 of the Revised  
18 Statutes, as amended, to make advance or progress payments  
19 on account of any grant made under this section. There are  
20 authorized to be appropriated for the purposes of this section  
21 not to exceed \$265,000,000 prior to July 1, 1969, and not  
22 to exceed \$390,000,000 prior to July 1, 1970. Of the amount  
23 available prior to July 1, 1969, \$20,000,000 may be used  
24 only for district planning grants under subsection (a) (6),  
25 which amount shall be increased by \$10,000,000 on July 1,

1 1969. Any amounts appropriated under this section shall  
2 remain available until expended: *Provided*, That of any funds  
3 appropriated under this section, not to exceed an aggregate  
4 of \$10,000,000 plus 5 per centum of any funds so appro-  
5 priated may be used by the Secretary for studies, research,  
6 and demonstration projects, undertaken independently or by  
7 contract, for the development and improvement of techniques  
8 and methods for comprehensive planning and for the advance-  
9 ment of the purposes of this section, and for grants to assist  
10 in the conduct of studies and research relating to needed  
11 revisions in State statutes which create, govern, or control  
12 local governments and local governmental operations.

13 “(c) The Secretary is authorized, in areas embracing  
14 several municipalities or other political subdivisions, to en-  
15 courage planning on a unified regional, district, or metro-  
16 politan basis and to provide technical assistance for such  
17 planning and the solution of problems relating thereto.

18 “(d) It is the further intent of this section to encourage  
19 comprehensive planning, including transportation planning,  
20 for States, cities, counties, metropolitan areas, districts, re-  
21 gions, and Indian reservations and the establishment and  
22 development of the organizational units needed therefor. In  
23 extending financial assistance under this section, the Secre-  
24 tary may require such assurances as he deems adequate that  
25 the appropriate State and local agencies are making reason-



1 able progress in the development of the elements of compre-  
2 hensive planning. The Secretary is authorized to provide  
3 technical assistance to State and local governments and their  
4 agencies and instrumentalities, and to Indian tribal bodies,  
5 undertaking such planning and, by contract or otherwise, to  
6 make studies and publish information on related problems.

7 “(e) In the exercise of his responsibilities under this  
8 section, the Secretary shall consult with those officials of  
9 the Federal Government responsible for the administration  
10 of programs of Federal assistance to the States and munici-  
11 palities for various categories of public facilities and other  
12 comprehensively planned activities. He shall, particularly,  
13 consult with the Secretary of Agriculture prior to his ap-  
14 proval of any district planning grants under subsections  
15 (a) (6) and (g), and with the Secretary of Commerce  
16 prior to his approval of any planning grants which include  
17 any part of an economic development district as defined  
18 and designated under the Public Works and Economic De-  
19 velopment Act of 1965. The Secretary of Agriculture and  
20 the Secretary of Commerce, as appropriate, may provide  
21 technical assistance, with or without reimbursement, in con-  
22 nection with the establishment of districts by the Secretary  
23 of Housing and Urban Development and the carrying out  
24 of planning by such districts.

1       “(f) The consent of the Congress is hereby given to any  
2 two or more States to enter into agreements or compacts, not  
3 in conflict with any law of the United States, for cooperative  
4 efforts and mutual assistance in the comprehensive planning  
5 for the growth and development of interstate, metropolitan.  
6 or other urban areas, and to establish such agencies, joint or  
7 otherwise, as they may deem desirable for making effective  
8 such agreements and compacts.

9       “(g) In addition to the planning grants authorized by  
10 subsection (a), the Secretary is further authorized to make  
11 grants to organizations composed of public officials whom  
12 he finds to be representative of the political jurisdictions with-  
13 in a metropolitan area, region, or district for the purpose of  
14 assisting such organization to undertake studies, collect data,  
15 develop metropolitan, regional, and district plans and pro-  
16 grams, and engage in such other activities as the Secretary  
17 finds necessary or desirable for the solution of the metropoli-  
18 tan, regional, or district problems in such areas, regions,  
19 or districts. To the maximum extent feasible, all grants under  
20 this subsection shall be for activities relating to all the de-  
21 velopmental aspects of the total metropolitan area, region, or  
22 district including, but not limited to, land use, transporta-  
23 tion, housing, economic development, natural resources de-  
24 velopment, community facilities, and the general improve-



1 ment of living environments. A grant under this subsection  
2 shall not exceed two-thirds of the estimated cost of the work  
3 for which the grant is made.

4       “(h) In addition to the other grants authorized by this  
5 section, the Secretary is authorized to make grants to assist  
6 any city, other municipality, or county in making a survey  
7 of the structures and sites in such locality which are deter-  
8 mined by its appropriate authorities to be of historic or  
9 architectural value. Any such survey shall be designed to  
10 identify the historic structures and sites in the locality, deter-  
11 mine the cost of their rehabilitation or restoration, and pro-  
12 vide such other information as may be necessary or appro-  
13 priate to serve as a foundation for a balanced and effective  
14 program of historic preservation in such locality. The aspects  
15 of any such survey which relate to the identification of his-  
16 toric and architectural values shall be conducted in accord-  
17 ance with criteria found by the Secretary to be comparable  
18 to those used in establishing the National Register main-  
19 tained by the Secretary of the Interior under other provisions  
20 of law; and the results of each such survey shall be made  
21 available to the Secretary of the Interior. A grant under  
22 this subsection shall not exceed two-thirds of the cost of the  
23 survey for which it is made, and shall be made to the appro-  
24 priate agency or entity specified in paragraphs (1) through  
25 (11) of subsection (a) or, if there is no such agency or

1 entity which is qualified and willing to receive the grant and  
2 provide for its utilization in accordance with this subsection,  
3 directly to the city, other municipality, or county involved.

4 “(i) As used in this section—

5 “(1) The term ‘metropolitan area’ means a stand-  
6 ard metropolitan statistical area, as established by the  
7 Bureau of the Budget, subject, however, to such mod-  
8 ifications or extensions as the Secretary deems to be  
9 appropriate for the purposes of this section.

10 “(2) The term ‘region’ includes (A) all or part of  
11 the area of jurisdiction of one or more units of general  
12 local government, and (B) one or more metropolitan  
13 areas.

14 “(3) The term ‘district’ includes all or part of the  
15 area of jurisdiction of (A) one or more counties, and  
16 (B) one or more other units of general local govern-  
17 ment, but does not include any portion of a metropolitan  
18 area.

19 “(4) The term ‘comprehensive planning’ includes  
20 the following:

21 “(A) preparation, as a guide for governmental  
22 policies and action, of general plans with respect  
23 to (i) the pattern and intensity of land use, (ii)  
24 the provision of public facilities (including trans-  
25 portation facilities) and other government services,



1           and (iii) the effective development and utilization  
2           of human and natural resources;

3           “(B) long-range physical and fiscal plans for  
4           such action;

5           “(C) programing of capital improvements and  
6           other major expenditures, based on a determination  
7           of relative urgency, together with definitive financ-  
8           ing plans for such expenditures in the earlier years  
9           of the program;

10          “(D) coordination of all related plans and  
11          activities of the State and local governments and  
12          agencies concerned; and

13          “(E) preparation of regulatory and adminis-  
14          trative measures in support of the foregoing.

15          Comprehensive planning for the purpose of districts  
16          shall not include the planning for or assistance to  
17          establishments in relocating from one area to another  
18          or to assist subcontractors whose purpose is to divest,  
19          or whose economic success is dependent upon divest-  
20          ing, other contractors or subcontractors of contracts  
21          theretofore customarily performed by them: *Provided,*  
22          That this limitation shall not be construed to prohibit  
23          assistance for the expansion of an existing business  
24          entity through the establishment of a new branch,  
25          affiliate, or subsidiary of such entity, if the Secretary

1 finds that the establishment of such branch, affiliate, or  
2 subsidiary will not result in an increase in unemploy-  
3 ment in the area of original location or in any other area  
4 where such entity conducts business operations, unless  
5 the Secretary has reason to believe that such branch,  
6 affiliate, or subsidiary is being established with the inten-  
7 tion of closing down the operations of the existing busi-  
8 ness entity in the area of its original location or in any  
9 other area where it conducts such operations.

10 “(5) The term ‘State planning agencies’ includes  
11 official State planning agencies and (in States where no  
12 such planning agency exists) agencies or instrumental-  
13 ties of State government designated by the Governor  
14 of the State and acceptable to the Secretary.

15 “(6) The terms ‘metropolitan planning agencies’,  
16 ‘regional planning agencies’, and ‘district planning  
17 agencies’ mean official metropolitan, regional, and dis-  
18 trict planning agencies, or other agencies and instru-  
19 mentalities designated by the Governor (or Governors  
20 in the case of interstate planning), and acceptable to the  
21 Secretary, empowered under State or local law or inter-  
22 state compact to perform metropolitan, regional, or dis-  
23 trict planning, respectively: *Provided*, That such agen-  
24 cies and instrumentalities shall, to the greatest practi-  
25 cable extent, be composed of or responsible to the elected



1 officials of the unit or units of general local government  
2 for whose jurisdictions they are empowered to engage in  
3 planning.”

4 PLANNED AREAWIDE DEVELOPMENT

5 SEC. 602. (a) The heading of title II of the Demon-  
6 stration Cities and Metropolitan Development Act of 1966  
7 is amended to read as follows: “TITLE II—PLANNED  
8 AREAWIDE DEVELOPMENT”.

9 (b) Section 201 of such Act is amended to read as  
10 follows:

11 “FINDINGS AND DECLARATION OF PURPOSE

12 “SEC. 201. (a) The Congress hereby finds that the  
13 welfare of the Nation and of its people is directly dependent  
14 upon the sound and orderly development and the effective  
15 organization and functioning of our State and local govern-  
16 ments.

17 “It further finds that it is essential that our State and  
18 local governments prepare, keep current, and carry out com-  
19 prehensive plans and programs for their orderly physical  
20 development with a view to meeting efficiently all their  
21 economic and social needs.

22 “It further finds that our State and local governments  
23 are especially handicapped in this task by the complexity  
24 and scope of governmental services required, the multiplicity  
25 of political jurisdictions and agencies involved, and the inade-

1 quacy of the operational and administrative arrangements  
2 available for cooperation among them.

3 “It further finds that present requirements for areawide  
4 planning and programing in connection with various Federal  
5 programs have materially assisted in the solution of areawide  
6 problems, but that greater coordination of Federal programs  
7 and additional participation and cooperation are needed from  
8 the States and localities in perfecting and carrying out such  
9 efforts.

10 “(b) It is the purpose of this title to provide through  
11 greater coordination of Federal programs and through sup-  
12 plementary grants for certain federally assisted development  
13 projects, additional encouragement and assistance to States  
14 and localities for making comprehensive areawide planning  
15 and programing effective.”

16 (c) Section 202 of such Act is amended by striking out  
17 “metropolitan”, each place it appears, and inserting in lieu  
18 thereof “areawide”.

19 (d) (1) Section 205 of such Act is amended by striking  
20 out “metropolitan development”, each place it appears, and  
21 inserting in lieu thereof “areawide development”.

22 (2) Such section is further amended by striking out  
23 “metropolitan areas” and “metropolitan area” and inserting  
24 in lieu thereof “areas” and “area”, respectively.



1       (3) Such section is further amended by striking out  
2 “metropolitanwide” each place it appears, and inserting in  
3 lieu thereof “areawide”.

4       (4) Such section is further amended by striking out  
5 “metropolitan planning”, each place it appears, and insert-  
6 ing in lieu thereof “areawide planning”.

7       (5) Such section is further amended by inserting “where  
8 appropriate,” after “(B)” in subsection (c) (1).

9       (6) Such section is further amended by striking out in  
10 subsection (f) the following: “within the metropolitanwide  
11 area”.

12       (e) (1) Paragraphs (1) and (2) of section 208 of  
13 such Act are amended by striking out “Metropolitan” and  
14 inserting in lieu thereof “Areawide”.

15       (2) Paragraph (7) of such section is amended—

16               (A) by striking out “or metropolitan or regional”  
17 and inserting in lieu thereof “, metropolitan, regional,  
18 or district”; and

19               (B) by striking out in the parenthetical phrase the  
20 word “metropolitan”.

21       (f) Section 206 (b) of such Act is amended by striking  
22 out the second sentence and inserting in lieu thereof the  
23 following: “Any amounts appropriated under this section  
24 shall remain available until expended, and any amounts

1 authorized for any fiscal year under this section but not  
2 appropriated may be appropriated for any succeeding fiscal  
3 year commencing prior to July 1, 1970.”

4 ADVANCE ACQUISITION OF LAND

5 SEC. 603. (a) Section 701 of the Housing and Urban  
6 Development Act of 1965 is amended by striking out in  
7 clause (3) thereof “in connection with the future construc-  
8 tion of public works and facilities.” and inserting in lieu  
9 thereof “in the future for public purposes.”

10 (b) Section 704 of such Act is amended to read as  
11 follows:

12 “SEC. 704. (a) In order to encourage and assist the  
13 timely acquisition of land planned to be utilized in the future  
14 for public purposes, the Secretary is authorized to make  
15 grants to States and local public bodies and agencies to assist  
16 in financing the acquisition of a fee simple estate or other  
17 interest in such land.

18 “(b) The amount of any grant made under this section  
19 shall not exceed the aggregate amount of reasonable interest  
20 charges on the loans or other financial obligations incurred to  
21 finance the acquisition of such land for a period not in excess  
22 of the lesser of (1) five years from the date of acquisition of  
23 such land, or (2) the period of time between the date on



1 which the land was acquired and the date its use began for  
2 the purpose for which it was acquired: *Provided*, That where  
3 all or any portion of the cost of such land is not financed  
4 through borrowings, the amount of the grant shall be com-  
5 puted on the basis of the aggregate amount of reasonable in-  
6 terest charges that the Secretary determines would have  
7 been required.

8 “(c) No grant shall be made under this section unless  
9 the Secretary determines that the land will be utilized for a  
10 public purpose within a reasonable period of time and that  
11 such utilization will contribute to economy, efficiency, and  
12 the comprehensively planned development of the area. The  
13 Secretary shall in all cases require that land acquired with  
14 the assistance of a grant under this section be utilized for a  
15 public purpose within five years after the date on which a  
16 contract to make such grant is entered into, unless (1) the  
17 Secretary determines that due to unusual circumstances a  
18 longer period of time is necessary and in the public interest,  
19 and (2) reports such determination promptly to the Com-  
20 mittees on Banking and Currency of the Senate and House  
21 of Representatives.

22 “(d) No land acquired with assistance under this sec-  
23 tion shall, without approval of the Secretary, be diverted  
24 from the purpose originally approved. The Secretary shall

1 approve no such diversion unless he finds that the diversion  
2 is in accord with the then applicable comprehensive plan for  
3 the area. In cases of a diversion of land to other than a pub-  
4 lic purpose, the Secretary may require repayment of the  
5 grant, or substitution of land of approximately equal fair  
6 market value, whichever he deems appropriate. An interim  
7 use of the land for a public or private purpose in accordance  
8 with standards prescribed by the Secretary, or approved by  
9 him, shall not constitute a diversion within the meaning of  
10 this subsection.

11 “(e) Notwithstanding any other provision of law, no  
12 project for which land is acquired with assistance under  
13 this section shall, solely as a result of such advance acqui-  
14 sition, be considered ineligible for the purpose of any other  
15 Federal loan or grant program, and the amount of the pur-  
16 chase price paid for the land by the recipient of a grant  
17 under this section may be considered an eligible cost for the  
18 purpose of such other Federal loan or grant program.”

19 EXTENSION OF INTERIM PLANNING REQUIREMENTS IN  
20 WATER AND SEWER FACILITIES PROGRAM

21 SEC. 604. Section 702 (c) of the Housing and Urban  
22 Development Act of 1965 is amended by striking out “July  
23 1, 1968” and inserting in lieu thereof “October 1, 1969”.



1 AUTHORIZATIONS FOR THE WATER AND SEWER FACILITIES,  
2 NEIGHBORHOOD FACILITIES, AND ADVANCE ACQUISITION OF LAND PROGRAMS  
3

4 SEC. 605. (a) Section 708 (a) of the Housing and  
5 Urban Development Act of 1965 is amended by adding at  
6 the end thereof the following: "In addition, there is authorized to be appropriated for grants under section 702 not to  
7 exceed \$115,000,000 for the fiscal year commencing on July  
8 1, 1969."

10 (b) Section 708 (b) of such Act is amended by striking  
11 out "July 1, 1969" and inserting in lieu thereof "July 1,  
12 1970".

13 OPEN-SPACE LAND PROGRAM

14 SEC. 606. (a) Section 702 (b) of the Housing Act of  
15 1961 is amended to read as follows:

16 "(b) There are authorized to be appropriated, for the  
17 purpose of making grants under this title, not to exceed  
18 \$310,000,000 prior to July 1, 1969, and not to exceed  
19 \$460,000,000 prior to July 1, 1970. Any funds so appropriated shall remain available until expended."

21 (b) Section 708 (b) of such Act is amended by striking  
22 out "\$50,000" and inserting in lieu thereof "\$125,000".

1 AUTHORIZE THE MAKING OF FEASIBILITY STUDIES IN THE  
2 PUBLIC WORKS PLANNING ADVANCES PROGRAM

3 SEC. 607. Section 702 (a) of the Housing Act of 1954  
4 is amended by inserting after "to aid in financing the cost of"  
5 the following: "feasibility studies,".

6 TITLE VII—URBAN MASS TRANSPORTATION

7 GRANT AUTHORIZATIONS

8 SEC. 701. (a) Section 4 (b) of the Urban Mass Trans-  
9 portation Act of 1964 is amended by (1) striking out the  
10 word "and" where it first appears in the first sentence, and  
11 (2) inserting before the period at the end of the first sen-  
12 tence "; and \$190,000,000 for fiscal year 1970".

13 (b) Section 6 (c) of such Act is amended by (1) strik-  
14 ing out "\$50,000,000" and inserting in lieu thereof "\$56,-  
15 000,000", and (2) inserting at the end thereof the follow-  
16 ing: "On or after July 1, 1969, the Secretary may make  
17 available to finance projects under this section such additional  
18 sums out of the grant authorization provided in section 4 (b)  
19 as he deems appropriate."

20 DEFINITION OF MASS TRANSPORTATION

21 SEC. 702. Section 12 (c) (5) of the Urban Mass Trans-  
22 portation Act of 1964 is amended to read as follows:



1           “(5) the term ‘mass transportation’ means trans-  
2           portation by bus, rail, or other conveyance, either pub-  
3           licly or privately owned, which provides to the public  
4           general or special service (but not including school buses  
5           or charter or sightseeing service) on a regular and con-  
6           tinuing basis.”

7           EXTENSION OF EMERGENCY PROGRAM UNDER THE URBAN

8                           MASS TRANSPORTATION ACT

9           SEC. 703. Section 5 of the Urban Mass Transportation  
10          Act of 1964 is amended by striking out “November 1, 1968”  
11          and inserting in lieu thereof “July 1, 1970”.

12                       NON-FEDERAL SHARE OF NET PROJECT COST

13          SEC. 704. (a) Section 4 (a) of the Urban Mass Trans-  
14          portation Act of 1964 is amended by striking out the last  
15          sentence and inserting in lieu thereof the following: “The  
16          remainder of the net project cost shall be provided, in cash,  
17          from sources other than Federal funds. Not more than 50 per  
18          centum of such remainder may be provided from other than  
19          public sources, and any public or private transit system funds  
20          shall be provided solely from undistributed cash surpluses,  
21          replacement or depreciation funds or reserves available in  
22          cash, or new capital; except that in cases of demonstrated

1   fiscal inability of an applicant actively engaged in preparing  
2   and effectuating a program for a unified or officially coordi-  
3   nated urban transportation system as part of the comprehen-  
4   sively planned development of the urban area, such re-  
5   mainder may be provided from other than public sources. No  
6   refund or reduction of the remainder of the net project cost  
7   shall be made at any time unless there is at the same time a  
8   refund of a proportional amount of the Federal grant.”

9       (b) Section 5 of such Act is amended by striking out the  
10   last sentence and inserting in lieu thereof the following: “The  
11   remainder of the net project cost shall be provided, in cash,  
12   from sources other than Federal funds. Not more than 50  
13   per centum of such remainder may be provided from other  
14   than public sources, and any public or private transit system  
15   funds shall be provided solely from undistributed cash sur-  
16   pluses, replacement or depreciation funds or reserves avail-  
17   able in cash, or new capital; except that in cases of demon-  
18   strated fiscal inability of an applicant actively engaged in  
19   preparing and effectuating a program for a unified or offi-  
20   cially coordinated urban transportation system as part of  
21   the comprehensively planned development of the urban area,  
22   such remainder may be provided from other than public



1 sources. No refund or reduction of the remainder of the net  
2 project cost shall be made at any time unless there is at the  
3 same time a refund of a proportional amount of the Federal  
4 grant.”

## 5 TITLE VIII—SECONDARY MORTGAGE MARKET

### 6 PURPOSES

7 SEC. 801. The purposes of this title include the partition  
8 of the Federal National Mortgage Association as heretofore  
9 existing into two separate and distinct corporations, each of  
10 which shall have continuity and corporate succession as a  
11 separated portion of the previously existing corporation. One  
12 of such corporations, to be known as Federal National Mort-  
13 gage Association, will be a Government-sponsored private  
14 corporation, will retain the assets and liabilities of the pre-  
15 viously existing corporation accounted for under section 304  
16 of the Federal National Mortgage Association Charter Act.  
17 and will continue to operate the secondary market operations  
18 authorized by such section 304. The other, to be known as  
19 Government National Mortgage Association, will remain in  
20 the Government, will retain the assets and liabilities of the  
21 previously existing corporation accounted for under sections  
22 305 and 306 of such Act, and will continue to operate the  
23 special assistance functions and management and liquidating  
24 functions authorized by such sections 305 and 306.

## 1     AMENDMENTS TO THE FEDERAL NATIONAL MORTGAGE

## 2                     ASSOCIATION CHARTER ACT

3         SEC. 802. (a) The heading of title III of the National  
4     Housing Act is amended by striking out "FEDERAL NA-  
5     TIONAL MORTGAGE ASSOCIATION" and inserting in  
6     lieu thereof "NATIONAL MORTGAGE ASSOCIATIONS".

7         (b) Section 301 of such Act is amended—

8             (1) by striking out "in the Federal Government a";

9             (2) by striking out "facility for" and inserting in  
10     lieu thereof "facilities for";

11            (3) by striking out "of such facility" and inserting  
12     in lieu thereof "thereof";

13            (4) by striking out "facility to" and inserting in  
14     lieu thereof "facilities to"; and

15            (5) by striking out "the existing mortgage port-  
16     folio of the Federal National Mortgage Association" and  
17     inserting in lieu thereof "federally owned mortgage  
18     portfolios".

19         (c) Section 302 (a) of such Act is amended—

20             (1) by inserting "(1)" immediately following  
21     "(a)";

22             (2) by striking out "(hereinafter referred to as  
23     the 'Association')"; and



1           (3) by adding at the end thereof the following  
2           new paragraph:

3           “(2) On the effective date established pursuant to sec-  
4           tion 808 of the Housing and Urban Development Act of  
5           1968, the body corporate described in the foregoing para-  
6           graph shall cease to exist in that form and is hereby parti-  
7           tioned into two separate and distinct bodies corporate, each  
8           of which shall have continuity and corporate succession as a  
9           separated portion of the previously existing body corporate,  
10          as follows:

11          “(A) One of such separated portions shall be a body  
12          corporate without capital stock to be known as Government  
13          National Mortgage Association (hereinafter referred to as  
14          the Association), which shall be in the Department of  
15          Housing and Urban Development and which shall retain  
16          the assets and liabilities acquired and incurred under sections  
17          305 and 306 prior to such effective date, including any and  
18          all liabilities incurred pursuant to section 302 (c). The Asso-  
19          ciation shall have succession until dissolved by Act of Con-  
20          gress. It shall maintain its principal office in the District of  
21          Columbia and shall be deemed, for purposes of venue in civil  
22          actions, to be a resident thereof. Agencies or offices may be  
23          established by the Association in such other place or places  
24          as it may deem necessary or appropriate in the conduct of  
25          its business.

1       “(B) The other such separated portion shall be a body  
2 corporate to be known as Federal National Mortgage Asso-  
3 ciation (hereinafter referred to as the corporation), which  
4 shall retain the assets and liabilities acquired and incurred  
5 under sections 303 and 304 prior to such effective date. The  
6 corporation shall have succession until dissolved by Act of  
7 Congress. It shall maintain its principal office in the District  
8 of Columbia and shall be deemed, for purposes of venue  
9 in civil actions, to be a resident thereof.”

10       (d) Section 302 (b) of such Act is amended—

11           (1) by striking out “the Association is authorized”  
12 and inserting in lieu thereof “each of the bodies corporate  
13 named in subsection (a) (2) is authorized”;

14           (2) by striking out “lend (under section 304) on  
15 the security of,”;

16           (3) by inserting immediately before the colon  
17 “; and the corporation is authorized to lend on the  
18 security of any such mortgages and to purchase, sell,  
19 or otherwise deal in any securities guaranteed by the  
20 Association under section 306 (g)”; and

21           (4) by striking out “no mortgage may be pur-  
22 chased” and inserting in lieu thereof “the Association  
23 may not purchase any mortgage”.

24       (e) Section 302 (c) (1) of such Act is amended by  
25 striking out “, consistent with section 307,”.



1       (f) Section 302 (c) (2) (C) of such Act is amended to  
2 read as follows:

3           “(C) The Department of Housing and Urban  
4 Development.”.

5       (g) Section 302 (c) (2) of such Act is amended by  
6 striking out “incurred by the Federal National Mortgage”  
7 and inserting in lieu thereof “incurred by the”.

8       (h) The heading of section 303 of such Act is amended  
9 to read as follows: “CAPITALIZATION—FEDERAL NATIONAL  
10 MORTGAGE ASSOCIATION”.

11       (i) Section 303 (a) of such Act is amended—

12           (1) by striking out “nonvoting common stock” and  
13 inserting in lieu thereof “common stock, without par  
14 value, which shall be vested with all voting rights, each  
15 share being entitled to one vote with rights of cumula-  
16 tive voting at all elections of directors”;

17           (2) by striking out “nonvoting preferred stock” and  
18 inserting in lieu thereof “nonvoting preferred stock, with  
19 a par value of \$100 per share,”;

20           (3) by striking out the second and third sentences  
21 thereof and inserting in lieu thereof “The free transfera-  
22 bility of the common stock at all times to any person,  
23 firm, corporation, or other entity shall not be restricted  
24 except that, as to the corporation, it shall be transfer-  
25 able only on the books of the corporation.”;

1           (4) by striking out “of the capital surplus and the  
2       general surplus accounts”;

3           (5) by striking out “retire” and inserting in lieu  
4       thereof “retire, at par,”; and

5           (6) by striking out “the Association shall deem  
6       feasible” and inserting in lieu thereof “possible subse-  
7       quent to the effective date established pursuant to section  
8       808 of the Housing and Urban Development Act of  
9       1968”.

10       (j) Section 303 (b) of such Act is amended—

11           (1) by striking out “for its services” and inserting  
12       in lieu thereof “, which may be regarded as elements of  
13       pricing,”; and

14           (2) by striking out the last sentence thereof.

15       (k) Section 303 (c) of such Act is amended—

16           (1) by striking out “(only in denominations of  
17       \$100 or multiples thereof) ”;

18           (2) by inserting immediately after the first sen-  
19       tence thereof “In addition to the shares of common stock  
20       issued under the foregoing sentence, the corporation may  
21       issue additional shares in return for appropriate pay-  
22       ments into capital or capital and surplus. The corpora-  
23       tion shall at all times require each servicer of its mort-  
24       gages to own a minimum amount of common stock of the  
25       corporation, measured by its stated value. Such mini-



1       mum amount shall not exceed 2 per centum, as deter-  
2       mined from time to time by the corporation with the  
3       approval of the Secretary of Housing and Urban De-  
4       velopment, of the aggregate outstanding principal balances  
5       of all mortgages of the corporation which have been  
6       purchased subsequent to the effective date established  
7       pursuant to section 808 of the Housing and Urban  
8       Development Act of 1968 and which are then serviced  
9       by such servicer for the corporation.”; and

10       (3) by striking out “the general surplus account  
11       of the Association shall not be reduced through the pay-  
12       ment of dividends applicable to such common stock  
13       which exceed in the aggregate 5 per centum of the par  
14       value of the outstanding common stock of the Associa-  
15       tion” and inserting in lieu thereof “the aggregate amount  
16       of cash dividends paid on account of any share of such  
17       stock shall not exceed any rate which may be deter-  
18       mined from time to time by the Secretary of Housing  
19       and Urban Development to be a fair rate of return after  
20       consideration of the current earnings and capital condi-  
21       tion of the corporation”.

22       (1) Section 303 (d) of such Act is amended by striking  
23       out “\$225,000,000” and inserting in lieu thereof “\$225,-  
24       000,000; but no such stock may be issued subsequent to the

1 effective date established pursuant to section 808 of the  
2 Housing and Urban Development Act of 1968”.

3 (m) Section 303 (g) of such Act is repealed.

4 (n) The heading of section 304 of such Act is amended  
5 to read as follows: “SECONDARY MARKET OPERATIONS—FED-  
6 ERAL NATIONAL MORTGAGE ASSOCIATION”.

7 (o) Section 304 (a) (1) of such Act is amended by  
8 striking out “and the Association shall not purchase any  
9 mortgage insured or guaranteed prior to the effective date of  
10 the Housing Act of 1954”.

11 (p) Section 304 (b) of such Act is amended by strik-  
12 ing out “earnings, and in” and inserting in lieu thereof  
13 “earnings unless a greater ratio shall be fixed at any time  
14 or from time to time by the Secretary of Housing and Urban  
15 Development. In”.

16 (q) Section 304 (c) of such Act is amended by striking  
17 out “(1) all of the preferred stock of the Association held  
18 by the Secretary of the Treasury has been retired, or (2)”.

19 (r) Sections 303 and 304 of such Act, as amended by  
20 the foregoing subsections of this section, are further  
21 amended—

22 (1) by striking out “Association” each place it ap-  
23 pears and inserting in lieu thereof, in each such place,  
24 “corporation”; and



1           (2) by striking out "Association's" each place it  
2       appears and inserting in lieu thereof, in each such place,  
3       "corporation's".

(s) The heading of section 305 of such Act is amended to read as follows: "SPECIAL ASSISTANCE FUNCTIONS—GOVERNMENT NATIONAL MORTGAGE ASSOCIATION".

7 (t) The heading of section 306 of such Act is amended  
8 to read as follows: "MANAGEMENT AND LIQUIDATING  
9 FUNCTIONS—GOVERNMENT NATIONAL MORTGAGE ASSOCIA-  
10 TION".

11 (u) Subsections (a) and (b) of section 307 of such  
12 Act are repealed.

(v) Section 307 (c) of such Act is amended by striking out "board of directors of the Association" and inserting in lieu thereof "Secretary of Housing and Urban Development".

16           (w) The heading of section 308 of such Act is amended  
17 to read as follows:

18 "MANAGEMENT".

19 (x) Section 308 of such Act is amended—

20 (1) by inserting "(a)" immediately following  
21 "308";

(2) by striking out the first two sentences thereof  
and inserting in lieu thereof “All the powers and duties  
of the Government National Mortgage Association shall  
be vested in the Secretary of Housing and Urban De-

1       velopment and the Association shall be administered un-  
2       der the direction of the Secretary.”;

3           (3) by striking out “the board shall determine” and  
4       inserting in lieu thereof “the Secretary shall determine”;

5           (4) by striking out “Association. The chairman of  
6       the board” and inserting in lieu thereof “Association, and  
7       shall have power to adopt, amend, and repeal bylaws  
8       governing the performance of the powers and duties  
9       granted to or imposed upon it by law. The Secretary”;

10          (5) by striking out “board of directors,” and insert-  
11       ing in lieu thereof “Secretary,”;

12          (6) by striking out the last sentence thereof; and

13          (7) by adding at the end thereof the following new  
14       subsection:

15       “(b) The Federal National Mortgage Association shall  
16       have a board of directors which shall consist of fifteen per-  
17       sons, one-third of whom shall be appointed annually by the  
18       Secretary, and the remainder of whom shall be elected annu-  
19       ally by the common stockholders. The board shall at all times  
20       have as members appointed by the Secretary at least one per-  
21       son from the homebuilding industry, at least one person from  
22       the mortgage lending industry, and at least one person from  
23       the real estate industry. Each member of the board of direc-  
24       tors shall be appointed or elected for a term ending on the  
25       date of the next annual meeting of the stockholders, except



1 that any such member may be removed from office by the  
2 President for good cause. Any elective seat on the board  
3 which becomes vacant after the annual election of the direc-  
4 tors shall be filled by the board, but only for the unexpired  
5 portion of the term. Any appointive seat which becomes  
6 vacant shall be filled by appointment of the Secretary, but  
7 only for the unexpired portion of the term. Within the  
8 limitations of law and regulation, the board shall deter-  
9 mine the general policies which shall govern the opera-  
10 tions of the corporation, and shall have power to adopt,  
11 amend, and repeal bylaws governing the performance of  
12 the powers and duties granted to or imposed upon it by law.  
13 The board of directors shall select and effect the appoint-  
14 ment of qualified persons to fill the offices of president and  
15 vice president, and such other offices as may be provided for  
16 in the bylaws. Any member of the board who is a full-time  
17 officer or employee of the Federal Government shall not,  
18 as such member, receive compensation for his services.”.

19 (y) Section 309 (a) of such Act is amended—

20 (1) by striking out “The Association” and insert-  
21 ing in lieu thereof “Each of the bodies corporate named  
22 in section 302 (a) (2)”;

23 (2) by striking out “by its board of directors, to  
24 adopt, amend, and repeal bylaws governing the per-

1       formance of the powers and duties granted to or imposed  
2       upon it by law;”;

3           (3) by striking out “conduct its business” and in-  
4       serting in lieu thereof “conduct its business without re-  
5       gard to any qualification or similar statute”;

6           (4) by striking out “the Association may deem”  
7       and inserting in lieu thereof “it may deem”; and

8           (5) by striking out “the purposes of the Associa-  
9       tion” and inserting in lieu thereof “its purposes”.

10       (z) Section 309 (c) of such Act is amended—

11           (1) by striking out “(1)”;

12           (2) by striking out “The Association” and insert-  
13       ing in lieu thereof “(1) The Government National  
14       Mortgage Association”;

15           (3) by striking out “, and (2) the Association  
16       shall, with respect to its secondary market operations  
17       under section 304 after the cutoff date referred to in  
18       section 303 (d) of this title, pay annually to the Secre-  
19       tary of the Treasury, for covering into miscellaneous  
20       receipts, an amount equivalent to the amount of Federal  
21       income taxes for which it would be subject if it were not  
22       exempt from such taxes with respect to such secondary  
23       market operations”; and



1           (4) by adding at the end thereof the following new  
2 paragraph:

3       “(2) The Federal National Mortgage Association, in-  
4 cluding its franchise, capital, reserves, surplus, mortgages or  
5 other security holdings, and income, shall be exempt from  
6 all taxation now or hereafter imposed by any State, terri-  
7 tory, possession, Commonwealth, or dependency of the  
8 United States, or by the District of Columbia, or by any  
9 county, municipality, or local taxing authority, except that  
10 any real property of the corporation shall be subject to State,  
11 territorial, county, municipal, or local taxation to the same  
12 extent as other real property is taxed.”

13       (aa) Section 309 (d) of such Act is amended—

14           (1) by inserting “(1)” immediately following  
15 “(d)”;

16           (2) by striking out “Chairman of the Board” and  
17 inserting in lieu thereof “Secretary of Housing and  
18 Urban Development”;

19           (3) by striking out “agents,” and inserting in lieu  
20 thereof “agents of the Government National Mortgage  
21 Association,”; and

22           (4) by adding at the end thereof the following  
23 new paragraph:

24       “(2) The board of directors of the Federal National  
25 Mortgage Association shall have the power to select and

1 appoint or employ such officers, attorneys, employees, and  
2 agents, to vest them with such powers and duties, and to fix  
3 and to cause the corporation to pay such compensation to  
4 them for their services, as it may determine; and any such  
5 action shall be without regard to the Federal civil service  
6 and classification laws. Appointments, promotions, and sep-  
7 arations so made shall be based on merit and efficiency, and  
8 no political test or qualification shall be permitted or given  
9 consideration. Each officer and employee of the corporation  
10 who is employed by the corporation prior to the termination  
11 of the transitional period referred to in section 810 (b) of  
12 the Housing and Urban Development Act of 1968 and who  
13 on the day previous to the beginning of such employment  
14 will have been subject to the civil service retirement law  
15 (subch. III of ch. 83 of title 5, United States Code),  
16 shall, so long as his employment by the corporation con-  
17 tinues without a break in continuity of service, continue  
18 to be subject to such law; and for the purpose of such law  
19 his employment by the corporation without a break in con-  
20 tinuity of service shall be deemed to be employment by the  
21 Government of the United States. The corporation shall con-  
22 tribute to the Civil Service Retirement and Disability Fund  
23 a sum as provided by section 8334 (a) of title 5, United  
24 States Code, except that such sum shall be determined by



1 applying to the total basic pay (as defined in 5 U.S.C.  
2 8331 (3) and except as hereinafter provided) paid to the  
3 employees of the corporation who are covered by the civil  
4 service retirement law, the per centum rate determined an-  
5 nually by the United States Civil Service Commission to be  
6 the excess of the total normal cost per centum rate of the  
7 civil service retirement system over the employee deduction  
8 rate specified in section 8334 (a) of title 5, United States  
9 Code. The corporation shall also pay into the Civil Service  
10 Retirement and Disability Fund such portion of the cost of  
11 administration of the fund as is determined by the United  
12 States Civil Service Commission to be attributable to its  
13 employees. Notwithstanding the foregoing provisions, there  
14 shall not be considered for the purposes of the civil service  
15 retirement law that portion of the basic pay in any one year  
16 of any officer or employee of the corporation which exceeds  
17 the basic pay provided for in section 5312 of title 5, United  
18 States Code, on the last day of such year. Except as provided  
19 in this subsection, the corporation shall not be subject to  
20 the provisions of title 5, United States Code."

21 (bb) Section 309 (e) of such Act is amended—

22 (1) by striking out "body corporate created by  
23 section 302" and inserting in lieu thereof "bodies cor-  
24 porate named in section 302 (a) (2)";

25 (2) by inserting " , 'Government National Mort-

1       gage Association’,” immediately following “‘Federal  
2       National Mortgage Association’”; and

3               (3) by striking out the second sentence and insert-  
4       ing in lieu thereof “Violations of the foregoing sentence  
5       may be enjoined by any court of general jurisdiction at  
6       the suit of the proper body corporate. In any such suit,  
7       the plaintiff may recover any actual damages flowing  
8       from such violation, and, in addition, shall be entitled to  
9       punitive damages (regardless of the existence or non-  
10      existence of actual damages) of not exceeding \$100 for  
11      each day during which such violation is committed or  
12      repeated.”

13      (cc) Section 309 (g) of such Act is amended to read as  
14      follows:

15      “(g) The Federal Reserve banks are authorized and  
16      directed to act as depositaries, custodians, and fiscal agents  
17      for each of the bodies corporate named in section 302 (a)  
18      (2), for its own account or as fiduciary, and such banks shall  
19      be reimbursed for such services in such manner as may be  
20      agreed upon; and each of such bodies corporate may itself act  
21      in such capacities, for its own account or as fiduciary, and for  
22      the account of others.”

23      (dd) Section 309 of such Act is amended by adding  
24      thereto the following new subsection:

25      “(h) The Secretary of Housing and Urban Develop-



1 ment shall have general regulatory power over the Federal  
2 National Mortgage Association and shall make such rules  
3 and regulations as shall be necessary and proper to insure  
4 that the purposes of this title are accomplished. No stock,  
5 obligation, security, or other instrument shall be issued by  
6 the corporation without the prior approval of the Secretary.  
7 The Secretary may require that a reasonable portion of  
8 the corporation's mortgage purchases be related to the  
9 national goal of providing adequate housing for low and  
10 moderate income families, but with reasonable economic  
11 return to the corporation. The Secretary may examine and  
12 audit the books and financial transactions of the corporation,  
13 and he may require the corporation to make such reports  
14 on its activities as he deems advisable."

15 (ee) Section 311 of such Act is amended—

16 (1) by striking out "the Association" and insert-  
17 ing in lieu thereof "either of the bodies corporate named  
18 in section 302 (a) (2)"; and

19 (2) by adding at the end thereof "All stock, obliga-  
20 tions, securities, participations, or other instruments  
21 issued pursuant to this title shall, to the same extent  
22 as securities which are direct obligations of or obliga-  
23 tions guaranteed as to principal or interest by the United  
24 States, be deemed to be exempt securities within the  
25 meaning of laws administered by the Securities and

1       Exchange Commission; but all such issuances shall be  
2       made only with the approval of the Secretary of Hous-  
3       ing and Urban Development.”

4                               PARTICIPATIONS

5       SEC. 803. Section 302 (c) (5) of the Federal National  
6       Mortgage Association Charter Act is amended by inserting  
7       at the end thereof the following: “In the event that the  
8       insufficiency required by the trustee is on account of principal  
9       maturities of outstanding beneficial interests or participations  
10      authorized to be issued pursuant to paragraph (4) of this  
11      subsection, or pursuant hereto, the trustee is authorized to  
12      elect to issue additional beneficial interests or participations  
13      for refinancing purposes in lieu of requiring any trustor or  
14      trustors to make payments to the trustee from appropriated  
15      funds or other sources. Each such issue of beneficial in-  
16      terests or participations shall be in an amount determined by  
17      the trustee but not in excess of the aggregate amount which  
18      the trustee would otherwise require the trustor or trustors  
19      to pay from appropriated funds or other sources, and may be  
20      issued without regard to the provisions of paragraph (4)  
21      of this subsection. All refinancing issues of beneficial in-  
22      terests or participations shall be deemed to have been issued  
23      pursuant to the authority contained in the appropriation Act  
24      or Acts under which the beneficial interests or participations  
25      were originally issued.”



## 1                   MORTGAGE-BACKED SECURITIES

2           SEC. 804. (a) Section 304 of the Federal National  
3 Mortgage Association Charter Act is amended by adding at  
4 the end thereof the following new subsection:

5           “(d) To provide a greater degree of liquidity to the  
6 mortgage investment market and an additional means of  
7 financing its operations under this section, the corporation is  
8 authorized to set aside any mortgages held by it under this  
9 section, and, upon approval of the Secretary of the Treasury,  
10 to issue and sell securities based upon the mortgages so set  
11 aside. Securities issued under this subsection may be in the  
12 form of debt obligations or trust certificates of beneficial in-  
13 terest, or both. Securities issued under this subsection shall  
14 have such maturities and bear such rate or rates of interest  
15 as may be determined by the corporation with the approval  
16 of the Secretary of the Treasury. Securities issued by the cor-  
17 poration under this subsection shall, to the same extent as  
18 securities which are direct obligations of or obligations guar-  
19 anteed as to principal and interest by the United States, be  
20 deemed to be exempt securities within the meaning of laws  
21 administered by the Securities and Exchange Commission.  
22 Mortgages set aside pursuant to this subsection shall at all  
23 times be adequate to enable the corporation to make timely  
24 principal and interest payments on the securities issued and  
25 sold pursuant to this subsection.”

1 (b) Section 306 of such Act is amended by adding at  
2 the end thereof the following new subsection:

3 “(g) The Association is authorized, upon such terms and  
4 conditions as it may deem appropriate, to guarantee the  
5 timely payment of principal of and interest on such trust  
6 certificates or other securities as shall (1) be issued by the  
7 Federal National Mortgage Association under section 304  
8 (d), or by any other issuer approved for the purposes of this  
9 subsection by the Association, and (2) be based on and  
10 backed by a trust or pool composed of mortgages which are  
11 insured under the National Housing Act or title V of the  
12 Housing Act of 1949, or which are insured or guaranteed  
13 under the Servicemen’s Readjustment Act of 1944 or chap-  
14 ter 37 of title 38, United States Code. The Association  
15 shall collect from the issuer a reasonable fee for any guaranty  
16 under this subsection and shall make such charges as it may  
17 determine to be reasonable for the analysis of any trust or  
18 other security arrangement proposed by the issuer. In the  
19 event the issuer is unable to make any payment of principal  
20 of or interest on any security guaranteed under this sub-  
21 section, the Association shall make such payment as and  
22 when due in cash, and thereupon shall be subrogated fully  
23 to the rights satisfied by such payment. Any Federal, State,  
24 or other law to the contrary notwithstanding, the Association  
25 is hereby empowered, in connection with any guaranty under



1 this subsection, whether before or after any default, to pro-  
2 vide by contract with the issuer for the extinguishment, upon  
3 default by the issuer, of any redemption, equitable, legal, or  
4 other right, title, or interest of the issuer in any mortgage  
5 or mortgages constituting the trust or pool against which the  
6 guaranteed securities are issued; and with respect to any  
7 issue of guaranteed securities, in the event of default and  
8 pursuant otherwise to the terms of the contract, the mort-  
9 gages that constitute such trust or pool shall become the  
10 absolute property of the Association subject only to the un-  
11 satisfied rights of the holders of the securities based on and  
12 backed by such trust or pool. The full faith and credit of the  
13 United States is pledged to the payment of all amounts  
14 which may be required to be paid under any guaranty under  
15 this subsection. There shall be excluded from the total  
16 amounts set forth in subsection (c) the amounts of any  
17 mortgages acquired by the Association as a result of its op-  
18 erations under this subsection.”

19 SUBORDINATED AND CONVERTIBLE OBLIGATIONS

20 SEC. 805. Section 304 of the Federal National Mort-  
21 gage Association Charter Act is amended by adding thereto  
22 (after subsection (d) as added by section 804 of this Act)  
23 the following new subsection:

24 “(e) For the purposes of this section, the corporation  
25 is authorized to issue, upon the approval of the Secretary

1 of the Treasury, obligations which are subordinated to any  
2 or all other obligations of the corporation, including sub-  
3 sequent obligations. The obligations issued under this sub-  
4 section shall have such maturities and bear such rate or  
5 rates of interest as may be determined by the corporation  
6 with the approval of the Secretary of the Treasury and may  
7 be made redeemable at the option of the corporation before  
8 maturity in such manner as may be stipulated in such  
9 obligations. Any of such obligations may be made convert-  
10 ible into shares of common stock in such manner, at such  
11 price or prices, and at such time or times as may be stipulated  
12 therein. The total principal amount of such subordinated  
13 obligations which may be outstanding at any one time shall  
14 not exceed two times the sum of (1) the capital of the cor-  
15 poration represented by its outstanding common stock and  
16 (2) its surplus and undistributed earnings at such time. The  
17 outstanding total principal amount of such obligations which  
18 are entirely subordinated to the obligations of the corpora-  
19 tion issued or to be issued under subsection (b) shall be  
20 deemed to be capital of the corporation for the purpose of  
21 determining the aggregate amount of obligations issued  
22 under subsection (b) which may be outstanding at any  
23 one time. Obligations issued by the corporation under this  
24 subsection shall, to the same extent as securities which are  
25 direct obligations of or obligations guaranteed as to principal



1 or interest by the United States, be deemed to be exempt  
 2 securities within the meaning of laws administered by the  
 3 Securities and Exchange Commission. The corporation shall  
 4 insert appropriate language in all of its obligations issued  
 5 under this subsection clearly indicating that such obliga-  
 6 tions, together with the interest thereon, are not guaranteed  
 7 by the United States and do not constitute a debt or obliga-  
 8 tion of the United States or of any agency or instrumen-  
 9 tality thereof other than the corporation. The corporation is  
 10 authorized to purchase in the open market any of its obli-  
 11 gations outstanding under this subsection at any time and at  
 12 any price.”

13 SPECIAL ASSISTANCE AUTHORIZATION

14 SEC. 806. Section 305 (c) of the Federal National  
 15 Mortgage Association Charter Act is amended—

16 (1) by striking out “and” after “July 1, 1967,”  
 17 and inserting in lieu thereof “by”; and

18 (2) by striking out the period and inserting in lieu  
 19 thereof “, and by \$500,000,000 on July 1, 1969.”

20 AMENDMENTS TO OTHER LAWS

21 SEC. 807. (a) Section 306 (b) of the Housing Act of  
 22 1959 is amended by striking out “Federal National Mort-  
 23 gage Association pursuant” and inserting in lieu thereof  
 24 “Government National Mortgage Association pursuant”.

25 (b) Section 312 (d) of the Housing Act of 1964 is

1 amended by striking out “Federal” and inserting in lieu  
2 thereof “Government”.

3 (c) Section 5 (b) of the Department of Housing and  
4 Urban Development Act is amended—

5 (1) by striking out “The Federal” and inserting  
6 in lieu thereof “The Government”; and

7 (2) by striking out “, and the position of Presi-  
8 dent of said Association is hereby allocated among the  
9 positions referred to in section 7 (c) hereof”.

10 (d) Section 7 (b) of the Department of Housing and  
11 Urban Development Act is repealed.

12 (e) Section 101 of the Government Corporation Control  
13 Act is amended by striking out “Federal National Mortgage  
14 Association” and inserting in lieu thereof “Government Na-  
15 tional Mortgage Association”.

16 (f) Section 13 (4) (F) of the Public Buildings Act  
17 of 1959 is amended by striking out “Federal” and inserting  
18 in lieu thereof “Government”.

19 (g) Section 6 (b) of the Participation Sales Act of  
20 1966 is amended by striking out “secondary market opera-  
21 tions carried on by the Federal” and inserting in lieu thereof  
22 “the Government”.

23 (h) Section 1820 (e) of title 38, United States Code, is  
24 amended by striking out “Federal National” in three places



1 and inserting in lieu thereof, in each such place, "Govern-  
2 ment National".

3 (i) Section 709 of title 18, United States Code, is  
4 amended by striking out "Federal National Mortgage As-  
5 sociation" each place it appears and inserting in lieu thereof,  
6 in each such place, "Government National Mortgage As-  
7 sociation".

8 (j) Section 5136 of the Revised Statutes is amended  
9 by inserting "or the Government National Mortgage Asso-  
10 ciation" immediately following "Federal National Mortgage  
11 Association".

12 (k) Section 11 (h) of the Federal Home Loan Bank  
13 Act is amended by inserting "or the Government National  
14 Mortgage Association, in the stock of the Federal National  
15 Mortgage Association" immediately following "Federal Na-  
16 tional Mortgage Association".

17 (l) Section 16 of the Federal Home Loan Bank Act  
18 is amended by inserting "or the Government National Mort-  
19 gage Association" immediately following "Federal National  
20 Mortgage Association".

21 (m) Section 5 (c) of the Home Owners' Loan Act of  
22 1933 is amended by inserting "or the Government National  
23 Mortgage Association," immediately following "Federal Na-  
24 tional Mortgage Association" and by inserting "or the stock

1 of the Federal National Mortgage Association” immediately  
2 after “any other agency of the United States”.

3 (n) Section 8 (8) (E) of the Federal Credit Union  
4 Act is amended by inserting “or the Government National  
5 Mortgage Association” immediately following “Federal Na-  
6 tional Mortgage Association”.

7 **EFFECTIVE DATE**

8 SEC. 808. The amendments made by this title shall be  
9 effective from and after a date, no more than one hundred  
10 and twenty days following the date of enactment of this  
11 Act, as established by the Secretary of Housing and Urban  
12 Development. Notice of the establishment of such effective  
13 date shall be published in the Federal Register at least thirty  
14 days prior thereto.

15 **SAVINGS PROVISIONS**

16 SEC. 809. (a) No cause of action by or against the  
17 Federal National Mortgage Association existing prior to the  
18 effective date established pursuant to section 808 shall abate  
19 by reason of this enactment. Any such cause of action may  
20 thereafter be asserted by or against the appropriate corpo-  
21 ration.

22 (b) No suit, action, or other proceeding commenced  
23 by or against the Federal National Mortgage Association,  
24 or any officer thereof in his official capacity, prior to the



1 effective date established pursuant to section 808 shall abate  
2 by reason of this enactment. A court may at any time there-  
3 after during the pendency of any such litigation, on its own  
4 motion or that of any party, order that the same may be  
5 maintained by or against the appropriate corporation or the  
6 appropriate corresponding officer thereof.

## 7 TRANSITIONAL PROVISIONS

8 SEC. 810. (a) On the effective date established pursuant  
9 to section 808 of this Act, each share of outstanding non-  
10 voting common stock, with a par value of \$100 per share,  
11 of the Federal National Mortgage Association shall be  
12 changed into and shall become one share of voting common  
13 stock, without par value, of such corporation.

(b) (1) The provisions of section 308 (b) of the Federal National Mortgage Association Charter Act (as added by section 802 (x) (7) of this Act) shall be applicable only to the extent that its provisions do not conflict with this subsection.

(2) For a transitional period after the effective date established pursuant to section 808 of this Act, the board of directors of the Federal National Mortgage Association shall consist of nine persons. For a term expiring on the date of the first annual meeting of the corporation's stockholders, all members of the board shall be appointed by the Secretary of Housing and Urban Development. For a term beginning

1 on such date, seven members of the board shall be appointed  
2 by the Secretary, and two members shall be elected by the  
3 common stockholders. For subsequent terms beginning prior  
4 to the termination of the transitional period, five members  
5 shall be appointed by the Secretary, and four members shall  
6 be elected by the common stockholders. For each term be-  
7 ginning prior to the termination of the transitional period,  
8 the Secretary shall appoint as a member of the board the  
9 president of the corporation. During the transitional period,  
10 the president of the corporation shall be appointed by the  
11 President, by and with the advice and consent of the Senate.

12 (3) The transitional period referred to in paragraph  
13 (2) shall come to an end at such time as the board of di-  
14 rectors shall find, with the approval of the Secretary, that  
15 not less than one-third of the corporation's common stock  
16 is owned by persons or institutions in the mortgage lending,  
17 homebuilding, real estate, or related businesses; but in no  
18 event shall it end sooner than May 1, 1970, nor later than  
19 May 1, 1973.

20 (c) From the effective date established pursuant to sec-  
21 tion 808 and until the retirement of the last of the outstand-  
22 ing shares of its preferred stock, the Federal National Mort-  
23 gage Association shall be deemed to be a wholly owned  
24 corporation for the purposes of the Government Corporation



1 Control Act. Notwithstanding the foregoing provisions of this  
2 paragraph, the financial transactions of the Federal National  
3 Mortgage Association shall continue to be subject to audit by  
4 the General Accounting Office for such period as there may  
5 be outstanding obligations of the Federal National Mortgage  
6 Association which are guaranteed as to principal or interest  
7 by the Government National Mortgage Association.

8 (d) Those persons who are the officers and employees  
9 of the Federal National Mortgage Association immediately  
10 prior to the effective date established pursuant to section  
11 808 shall become the officers and employees of the Govern-  
12 ment National Mortgage Association on such date. The  
13 Federal National Mortgage Association and the Government  
14 National Mortgage Association shall provide by contract for  
15 the conditions and methods under which and by which the  
16 Federal National Mortgage Association during the transi-  
17 tional period may employ those individuals who are em-  
18 ployees of the Government National Mortgage Association  
19 on such effective date; and may provide by contract for the  
20 operation by either of such corporations of any of the func-  
21 tions of the other. The Secretary of Housing and Urban  
22 Development shall make every reasonable effort to place in  
23 other comparable Federal positions any individuals who are  
24 career or career-conditional employees of the Government  
25 National Mortgage Association on such effective date and

1 who are subsequently during the transitional period neither  
2 employed by the Federal National Mortgage Association nor  
3 retained by the Government National Mortgage Association.

#### 4 TITLE IX—NATIONAL HOUSING PARTNERSHIPS

##### 5 STATEMENT OF PURPOSE

6 SEC. 901. The Congress finds that the volume of  
7 housing being produced for families and individuals of low  
8 or moderate income must be increased to meet the national  
9 goal of a decent home and a suitable living environment for  
10 every American family, and declares that it is the policy of  
11 the United States to encourage the widest possible partici-  
12 pation by private enterprise in the provision of housing for  
13 low and moderate income families. The Congress has there-  
14 fore determined that one or more private organizations should  
15 be created to encourage maximum participation by private  
16 investors in programs and projects to provide low or mod-  
17 erate income housing.

##### 18 CREATION OF CORPORATIONS

19 SEC. 902. (a) There is hereby authorized to be created  
20 a private corporation for profit (hereinafter in this title  
21 referred to as the "corporation"). The corporation will not  
22 be an agency or establishment of the United States Govern-  
23 ment. The corporation shall be subject to the provisions of  
24 this title and, to the extent consistent with this title, to the



1 District of Columbia Business Corporation Act (D.C. Code,  
2 sec. 29-901 et seq.) .

3 (b) Whenever the President finds it in the national  
4 interest to do so, he may cause the creation of an additional  
5 corporation or additional corporations to carry out the pur-  
6 poses of this title. All the provisions of this title shall there-  
7 upon become applicable to each such corporation, and to the  
8 limited partnership formed by it pursuant to section 907 of  
9 this title.

10 (c) Nothing in this title shall be construed to preclude  
11 private persons from creating other corporations and organiz-  
12 ing other partnerships, joint ventures, or associations for the  
13 purposes set forth in this title as the purposes of the corpora-  
14 tion and the partnership described in section 907 of this title.

15 PROCESS OF ORGANIZATION

16 SEC. 903. (a) The President of the United States shall  
17 appoint, by and with the advice and consent of the Senate,  
18 incorporators of the corporation, one of whom shall be desig-  
19 nated by the President to serve as chairman. The incorpora-  
20 tors shall serve as the initial board of directors until the first  
21 annual meeting of stockholders or until their successors are  
22 elected and have qualified.

23 (b) The incorporators shall take whatever actions are  
24 necessary or appropriate to establish the corporation, includ-

1 ing the filing of articles of incorporation as approved by the  
2 President.

3 (c) The incorporators shall also arrange for an initial  
4 offering of shares of stock in the corporation and of interests  
5 in the partnership described in section 907 of this title. If the  
6 incorporators deem it advisable in order to carry out the pur-  
7 poses of this title, the initial offering may be made upon  
8 terms which require the purchase of other securities of the  
9 corporation or of interests in such partnership.

#### 10 DIRECTORS

11 SEC. 904. The corporation shall have a board of di-  
12 rectors (hereinafter in this section referred to as the  
13 "board"), consisting of fifteen members. Three members of  
14 the board shall be appointed by the President of the United  
15 States, by and with the advice and consent of the Senate,  
16 effective the date on which the other members are elected,  
17 and for terms of three years or until their successors have  
18 been appointed and have qualified, except that the first three  
19 members of the board so appointed shall continue in office  
20 for terms of one, two, and three years, respectively, and any  
21 member so appointed to fill a vacancy shall be appointed  
22 only for the unexpired term of the director whom he suc-  
23 ceeds. Twelve members of the board shall be elected by the  
24 stockholders.



## 1 FINANCING THE CORPORATION

2 SEC. 905. The corporation shall have the power to  
3 create and issue the number of shares stated in its articles  
4 of incorporation. Such shares may be divided into one or  
5 more classes, any or all of which classes may consist of  
6 shares with par value or shares without par value, with such  
7 designations, preferences, voting powers, special or relative  
8 rights and such limitations, restrictions, or qualifications  
9 thereof as shall be stated in the articles of incorporation.  
10 The articles of incorporation may limit or deny the voting  
11 power of the shares of any class.

## 12 PURPOSES AND POWERS OF THE CORPORATION

13 SEC. 906. (a) In order to achieve the objectives and  
14 to carry out the purposes of this title, the corporation is  
15 authorized to—

16 (1) plan, initiate, and carry out, pursuant to Fed-  
17 eral programs or otherwise, the building or rehabilita-  
18 tion of housing and related facilities primarily for the  
19 benefit of families and individuals of low and moderate  
20 income;

21 (2) buy, own, manage, lease, or otherwise acquire  
22 or dispose of property in connection with the develop-  
23 ments, projects, or undertakings referred to in clause  
24 (1) of this subsection (a) ; and

1           (3) provide such funds as may be necessary to  
2       accomplish the developments, projects, or undertakings  
3       referred to in clause (1) of this subsection (a).

4       (b) Included in the activities authorized to the corpora-  
5       tion for the accomplishment of the purposes indicated in  
6       subsection (a) of this section are, among others not spe-  
7       cifically named—

8           (1) to enter into partnerships, limited partnerships,  
9       joint ventures, and other associations with individuals,  
10      corporations, and private and governmental agencies,  
11      organizations, and institutions;

12          (2) to act as manager or general partner of any  
13      such partnership, venture, or association;

14          (3) to conduct or contract for research and studies  
15      related to the development, demonstration, and evalua-  
16      tion of improved techniques and methods of constructing,  
17      rehabilitating, and maintaining housing;

18          (4) to provide technical assistance to nonprofit  
19      corporations, limited dividend corporations, and others  
20      with respect to the planning, financing, construction,  
21      rehabilitation, maintenance, and management of housing  
22      for low and moderate income families and individuals;

23          (5) to make loans or grants, including grants of  
24      interests in housing and related facilities, to nonprofit



1 corporations, limited dividend corporations, and others  
2 in carrying out its activities under subsection (a) of this  
3 section; and

4 (6) to hire or accept the voluntary services of con-  
5 sultants, experts, advisory boards, and panels to aid the  
6 corporation in carrying out the purposes of this title.

7 (c) To carry out the foregoing purposes and engage in  
8 the foregoing activities, the corporation shall have the usual  
9 powers conferred upon a stock corporation by the District of  
10 Columbia Business Corporation Act.

11 NATIONAL HOUSING PARTNERSHIP

12 SEC. 907. (a) The corporation is authorized to arrange  
13 for the formation, as a separate organization, of a limited  
14 partnership (hereinafter in this title referred to as the "part-  
15 nership") under the District of Columbia Uniform Limited  
16 Partnership Act (D.C. Code, sec. 41-401 et seq.) for the  
17 purpose of engaging in any of the activities authorized for  
18 the corporation under section 906 of this title, and to enter  
19 into a partnership agreement governing the affairs of such  
20 limited partnership.

21 (b) The partnership shall be subject to the provisions,  
22 to the extent consistent with this title, of (1) the District of  
23 Columbia Uniform Limited Partnership Act, and (2) those  
24 provisions of the District of Columbia Uniform Partnership  
25 Act (D.C. Code, sec. 41-301 et seq.) made applicable by

1 section 6 (2) of that Act (D.C. Code, sec. 41-305 (2) ). Not-  
2 withstanding any inconsistency between the provisions of  
3 such Acts, or of any other law, and the provisions of this  
4 section, the partnership organized pursuant to this section  
5 shall be deemed to have the legal status of a limited partner-  
6 ship.

7 (c) The partnership is authorized to enter into partner-  
8 ships, limited partnerships, or joint ventures organized under  
9 applicable State or local law for the purpose of engaging in  
10 lower income housing developments, projects, or undertak-  
11 ings in particular localities.

12 (d) The corporation shall be the general partner in the  
13 partnership. The capital of the partnership and the contri-  
14 butions of the partners shall be in such amounts and at such  
15 times as are set forth in or pursuant to the partnership  
16 agreement.

17 (e) The partnership agreement shall include provi-  
18 sions designed to assure that (1) the partnership shall par-  
19 ticipate in lower income housing developments, projects, or  
20 undertakings in a manner designed to encourage the par-  
21 ticipation therein of local interests, and (2) in any such  
22 development, project, or undertaking the partnership shall  
23 not subscribe to more than 25 per centum (including equity  
24 investments made in services or property) of the aggregate  
25 initial equity investment unless, in the judgment of the cor-



1 poration as general partner, the balance of the required  
2 equity investment is not readily obtainable from other respon-  
3 sible investors residing or doing business in the local  
4 community.

5 (f) The partnership agreement may without limita-  
6 tion (1) permit each of the stockholders of the Corporation  
7 to become a member of the partnership as a limited partner,  
8 (2) authorize the inclusion of other limited partners in ad-  
9 dition to the stockholders of the corporation, (3) provide  
10 that the assignee of the partnership interest of a limited  
11 partner of the partnership who is also a stockholder of the  
12 corporation may not become a substituted limited partner  
13 unless he also acquired the assignor's stock of the corpora-  
14 tion, (4) include provisions requiring that the corporation  
15 as a general partner approve the substitution or addition  
16 of a member of the partnership.

17 (g) A corporation which is a limited partner in the  
18 partnership shall not become liable as a general partner by  
19 reason of the fact that (1) such corporation is a holder of  
20 shares of voting stock of the corporation constituting not  
21 more than 5 per centum of the total number of outstanding  
22 shares of such stock and exercises any of the rights (including  
23 voting rights) of a holder of such shares, and/or (2) a per-  
24 son who is an officer or director of such corporation (or of  
25 another corporation which controls, or is subject to the con-

1 trol of, or is under common control with, such corporation)  
2 is a director of the corporation and performs the duties of  
3 that office. The interest of a limited partner in the partnership  
4 shall not be treated as a stock interest in the corporation,  
5 notwithstanding that such interest of a limited partner may  
6 be proportionate to his stock interest in the corporation.

7 (h) The certificate of the partnership and any amend-  
8 ment thereof required by the District of Columbia Uniform  
9 Limited Partnership Act shall be executed and acknowledged  
10 by the corporation as member and by each other member  
11 of the partnership or his attorney-in-fact duly authorized by  
12 power of attorney in writing. The corporation may execute  
13 and acknowledge the certificate and any amendment thereof  
14 as attorney-in-fact for any member, member to be substi-  
15 tuted or added, or assigning member, by whom the certificate  
16 or amendment is required to be executed and acknowledged  
17 and who has appointed the corporation as such attorney.

18 REPORT TO CONGRESS AND RECORDS

19 SEC. 908. (a) The corporation shall submit an annual  
20 report to the President for transmittal to the Congress within  
21 six months after the end of its fiscal year. The report shall  
22 include a comprehensive and detailed report of the opera-  
23 tions, activities, and financial condition of the corporation  
24 and the partnership under this title.



1       (b) The accounts of the corporation and of the part-  
2 nership shall be audited annually in accordance with generally  
3 accepted auditing standards by independent certified public  
4 accountants or independent licensed public accountants certi-  
5 fied or licensed by a regulatory authority of a State or other  
6 political subdivision of the United States.

7                                   ANTITRUST LAWS

8       SEC. 909. Nothing contained herein shall affect the ap-  
9 plicability of the Federal antitrust laws to the activities of the  
10 corporation and the partnership created under this Act and  
11 of the persons participating therein or in partnerships, limited  
12 partnerships, or joint ventures with either of them.

13                               RIGHT TO REPEAL, ALTER, OR AMEND

14       SEC. 910. The right to repeal, alter, or amend this title  
15 at any time is expressly reserved.

16                               AMENDMENT TO BANKING LAWS

17       SEC. 911. Paragraph "Seventh" of section 5136 of the  
18 Revised Statutes, as amended (12 U.S.C. 24), is amended  
19 by adding at the end thereof the following: "Notwithstand-  
20 ing any other provision in this paragraph, the association  
21 may purchase for its own account shares of stock issued by  
22 a corporation authorized to be created pursuant to title IX  
23 of the Housing and Urban Development Act of 1968, and  
24 may make investments in a partnership, limited partnership,

1 or joint venture formed pursuant to section 907 (a) or  
2 907 (c) of that title.”

### 3 TITLE X—RURAL HOUSING

4 HOUSING FOR LOW AND MODERATE INCOME PERSONS AND  
5 FAMILIES

6 SEC. 1001. Title V of the Housing Act of 1949 is  
7 amended by adding at the end thereof the following new  
8 section:

9 “LOANS TO PROVIDE OCCUPANT-OWNED, RENTAL, AND CO-  
10 OPERATIVE HOUSING FOR LOW AND MODERATE INCOME  
11 PERSONS AND FAMILIES

12 “SEC. 521. (a) Notwithstanding the provisions of sec-  
13 tions 502, 517 (a), and 515, loans to persons of low or  
14 moderate income under section 502 or 517 (a) (1), and  
15 loans under section 515 to provide rental or cooperative  
16 housing and related facilities for persons and families of  
17 low or moderate income or elderly persons and elderly  
18 families, shall bear interest at a rate prescribed by the  
19 Secretary at not less than a rate determined by the Secre-  
20 tary of the Treasury taking into consideration the current  
21 average market yield on outstanding marketable obligations  
22 of the United States with remaining periods to maturity  
23 comparable to the average maturities of such loans, adjusted  
24 to the nearest one-eighth of 1 per centum, less not to exceed



1 the difference between the adjusted rate determined by the  
2 Secretary of the Treasury and 1 per centum per annum:  
3 *Provided*, That such a loan may be made only when the  
4 Secretary determines that the needs of the applicant for  
5 necessary housing cannot be met with financial assistance  
6 from other sources including assistance under section 235  
7 or 236 of the National Housing Act.

8 “(b) Housing and related facilities provided with loans  
9 described in subsection (a) shall be located in rural areas;  
10 and applicants eligible for such loans under section 502 or  
11 517 (a) (1), or for occupancy of housing provided with  
12 such loans under section 515, shall include otherwise quali-  
13 fied nonrural residents who will become rural residents.

14 “(c) There shall be reimbursed to the Rural Housing  
15 Insurance Fund by annual appropriations the amounts by  
16 which nonprincipal payments made from the fund during  
17 each fiscal year to the holders of insured loans described in  
18 subsection (a) exceed interest due from the borrowers dur-  
19 ing each year; and the Secretary from time to time may  
20 issue notes to the Secretary of the Treasury under section  
21 517 (h) to obtain amounts equal to such unreimbursed excess  
22 payments, pending the annual reimbursement by appro-  
23 priation.”

## HOUSING FOR RURAL TRAINEES

SEC. 1002. Title V of the Housing Act of 1949 is amended by adding after section 521 (as added by section 1001 of this Act) the following new section:

## “HOUSING FOR RURAL TRAINEES

“SEC. 552. (a) Upon the application of any State or political subdivision thereof, or any public or private non-profit organization, the Secretary is authorized, after consultation with the Secretary of Labor, the Secretary of Health, Education, and Welfare, the Secretary of Housing and Urban Development, and the Director of the Office of Economic Opportunity, and after the Secretary determines that the housing and related facilities cannot reasonably be provided in any other way, to provide financial and technical assistance for the establishment, in rural areas, of housing and related facilities for trainees and their families who are residents of a rural area and have a rural background, while such trainees are enrolled and participating in training courses designed to improve their employment capability. The selection of training sites and location of housing shall be made with due regard to the economic viability of the area, and only after consideration of a labor area survey



1 and full coordination among all Government agencies having  
2 primary responsibility for administering related programs.

3 “(b) Housing and related facilities assisted under this  
4 section shall be safe and sanitary, constructed in the most eco-  
5 nomical manner, and of modest design, giving due consid-  
6 eration to the purposes to be served and the needs of the  
7 occupants, and may, in the discretion of the Secretary, in-  
8 clude mobile family quarters. Design and location shall be  
9 such as to facilitate, as feasible, the use of such housing and  
10 related facilities for other purposes when no longer needed for  
11 the primary purpose.

12 “(c) The applicant shall contribute the necessary land,  
13 or funds to acquire such land, from its own resources, includ-  
14 ing land acquired by donation or from funds repayable under  
15 subsection (e) or borrowed from other sources.

16 “(d) No financial assistance shall be made available  
17 under this section unless, to the extent and for the periods re-  
18 quired by the Secretary, the applicant agrees that—

19 “(1) such housing will be maintained at all times  
20 in a safe and sanitary condition in accordance with stand-  
21 ards prescribed by State or local law, or, in the absence  
22 of such standards, with requirements prescribed by the  
23 Secretary;

24 “(2) priority shall be given at all times in grant-  
25 ing occupancy of such housing and facilities to the

1 trainees and their families described in subsection (a) ;  
2 and

3 “(3) rentals charged them shall not exceed amounts  
4 approved by the Secretary after considering the portion  
5 of the actual total family income which the family can  
6 afford to pay for rent while meeting its other immedi-  
7 ate needs during occupancy.

8 “(e) The Secretary may make advances pursuant to  
9 any contract for financial assistance under this section at such  
10 times and in such manner as may be specified in the contract.  
11 Such advances for the purchase of land shall be repayable  
12 with interest and within a period not to exceed thirty-three  
13 years and may be made upon such security, if any, as the  
14 Secretary requires. Advances for other purposes may be  
15 made repayable with or without interest or nonrepayable, as  
16 determined by the Secretary on the basis of the anticipated  
17 income and cost of operation of the housing and related facili-  
18 ties, and the ability of each applicant to finance such facilities.  
19 Any advances shall be limited to cover the capital costs of  
20 constructing such facilities, plus interest on borrowings to  
21 cover such costs.

22 “(f) Should housing and related facilities assisted pur-  
23 suant to a contract under this section be sold to an ineligible  
24 transferee or diverted to a use other than its primary purpose



1 within a period specified in the contract, all advances made  
2 under such contract shall be repaid to the Secretary, up to the  
3 amount of the sales price or the fair value of the property as  
4 determined by the Secretary, whichever is higher, with inter-  
5 est from the date of the sale or diversion. If no suitable alter-  
6 nate use of the property is available, as determined by the  
7 Secretary, after the purpose of this section can no longer be  
8 served, the property shall be returned to its original condition  
9 by the recipient of the assistance.

10 “(g) Interest charged on advances made under this sec-  
11 tion shall be at a rate, prescribed by the Secretary, which  
12 shall be not less than a rate determined by the Secretary of  
13 the Treasury taking into consideration the current average  
14 market yield on outstanding marketable obligations of the  
15 United States with remaining periods to maturity comparable  
16 to the average maturities of such loans, adjusted to the near-  
17 est one-eighth of 1 per centum, less not to exceed the differ-  
18 ence between the adjusted rate determined by the Secretary  
19 of the Treasury and 1 per centum per annum, as determined  
20 by the Secretary.

21 “(h) The Secretary shall prescribe regulations to insure  
22 that Federal funds expended under this section are not  
23 wasted or dissipated.

1       “(i) As used in this section: (1) the term ‘related  
2 facilities’ shall include any necessary community rooms or  
3 buildings, infirmaries, utilities, access roads, water and sewer  
4 services, and the minimum fixed or movable equipment de-  
5 termined by the Secretary to be necessary to make the  
6 housing reasonably habitable by trainees and their families;  
7 and (2) the term ‘trainee’ means any person receiving train-  
8 ing under any federally assisted training program.

9       “(j) There are authorized to be appropriated such sums  
10 as may be necessary to carry out this section.”

11                               APPROPRIATIONS

12       SEC. 1003. Section 513 of the Housing Act of 1949 is  
13 amended by—

14               (1) striking out “and (e)” and inserting in lieu  
15 thereof “(e)”; and

16               (2) inserting before the period at the end thereof  
17 the following: “; and (f) such sums as may be required  
18 by the Secretary to administer the provisions of sections  
19 235 and 236 of the National Housing Act”.

20                               PURCHASE OF LAND FOR BUILDING SITES

21       SEC. 1004. Section 514 (f) (2) of the Housing Act of  
22 1949 is amended by—



1 (1) striking out "and (B)" and inserting in lieu  
2 thereof "(B)"; and

3 (2) inserting before the semicolon a comma and  
4 the following: "and (C) land necessary for an adequate  
5 site".

6 TITLE XI—NATIONAL INSURANCE DEVELOP-  
7 MENT CORPORATION

8 SHORT TITLE

9 SEC. 1101. This title may be cited as the “National  
10 Insurance Development Corporation Act of 1968”.

11 FINDINGS AND DECLARATION OF PURPOSE

SEC. 1102 (a) The Congress finds that (1) the vitality of many American cities is being threatened by the deterioration of their inner city areas; responsible owners of well-maintained residential, business, and other properties in many of these areas are unable to obtain adequate property insurance coverage against fire, crime, and other perils; the lack of such insurance coverage accelerates the deterioration of these areas by discouraging private investment and restricting the availability of credit to repair and improve property; and this deterioration poses a serious threat to the national economy; (2) recent riots and other civil commotion in many American cities have brought about abnor-

1 mally high losses to the property insurance industry for  
2 which adequate reinsurance cannot be obtained at reasonable  
3 cost, and the risk of such losses will make most lines of  
4 property insurance even more difficult to obtain; (3) the  
5 capacity of the property insurance industry to provide ade-  
6 quate insurance is threatened, and the continuity of such  
7 property insurance protection is essential to the extension  
8 of credit in these areas; and (4) the national interest de-  
9 mands urgent action by the Congress to assure that essential  
10 lines of property insurance, including protection against riot  
11 and civil commotion damage, will be available to property  
12 owners at reasonable cost.

13 (b) It is therefore the purpose of this title to (1) en-  
14 courage and assist the various State insurance authorities and  
15 the property insurance industry to develop and carry out  
16 statewide programs which will make necessary property in-  
17 surance coverage against the fire, crime, and other perils  
18 more readily available for residential, business, and other  
19 properties meeting reasonable underwriting standards; and  
20 (2) provide a Federal program of reinsurance against abnor-  
21 mally high property insurance losses resulting from riots and  
22 other civil commotion and placing appropriate financial  
23 responsibility upon the States to share in such losses.



1           AMENDMENT OF THE NATIONAL HOUSING ACT

2           SEC. 1103. The National Housing Act is amended by  
3 adding at the end thereof the following new title:

4           “TITLE XII—NATIONAL INSURANCE  
5           DEVELOPMENT CORPORATION

6           “CREATION AND DISSOLUTION OF NATIONAL INSURANCE  
7           DEVELOPMENT CORPORATION

8           “SEC. 1201. (a) There is created within the Depart-  
9 ment of Housing and Urban Development, under the author-  
10 ity of the Secretary, a body corporate to be known as the  
11 National Insurance Development Corporation (hereinafter  
12 referred to as the ‘Corporation’).

13           “(b) (1) The powers of the Corporation under this title  
14 shall terminate on April 30, 1973, except to the extent  
15 necessary—

16           “(A) to continue reinsurance in accordance with  
17 the provisions of section 1223 (b) until April 30, 1976;

18           “(B) to process, verify, and pay claims for rein-  
19 sured losses and perform other necessary functions in  
20 connection therewith; and

21           “(C) to complete the liquidation and termination of  
22 the Corporation.

23           “(2) On April 30, 1976, or as soon thereafter as pos-  
24 sible, the Secretary shall submit to the Congress for approval,  
25 a plan for the liquidation and termination of the Corporation.

1                   “EXECUTIVE DIRECTOR

2           “SEC. 1202. (a) Subject to the provisions of section  
3 1201 (a), the management of the Corporation shall be vested  
4 in an Executive Director who shall be appointed by the  
5 President, by and with the advice and consent of the Senate.

6           “(b) The Executive Director shall not be an officer,  
7 director, or employee of any private insurance company  
8 nor shall he hold any stock in any such company.

9           “ADVISORY BOARD, MEETINGS, DUTIES, COMPENSATION,

10                               AND EXPENSES

11           “SEC. 1203. (a) (1) There is established an Advisory  
12 Board (hereinafter called the ‘Board’) consisting of nine-  
13 teen members appointed by the Secretary. Members of the  
14 Board shall be selected from among representatives of the  
15 general public, the insurance industry, State and local gov-  
16 ernments, including State insurance authorities, and the  
17 Federal Government. Of these members of the Board, not  
18 more than six shall be regular, full-time employees of the  
19 Federal Government, and not less than four shall be repre-  
20 sentatives of the private insurance industry and not less than  
21 four shall be representatives of State insurance authorities.

22           “(2) The Secretary shall designate a Chairman and a  
23 Vice Chairman of the Board.

24           “(3) Each member shall serve for a term of two years  
25 or until his successor has been appointed, except that no



1 person who is appointed while a full-time employee of a  
2 State or the Federal Government shall serve in such position  
3 after he ceases to be so employed, unless he is reappointed.

4 “(4) Any member appointed to fill a vacancy occurring  
5 prior to the expiration of the term for which his predecessor  
6 was appointed shall be appointed for the remainder of that  
7 term.

8 “(b) The Chairman shall preside at all meetings, and  
9 the Vice Chairman shall preside in the absence or disability  
10 of the Chairman. The Board may, in the absence of both the  
11 Chairman and Vice Chairman, elect any member to act as  
12 Chairman pro tempore. The Board shall meet at such times  
13 and places as it may fix and determine, but shall hold at least  
14 four regularly scheduled meetings a year. Special meetings  
15 may be held at the call of the Chairman or any three mem-  
16 bers of the Board.

17 “(c) The Board shall review the general policies of the  
18 Corporation, and shall advise the Secretary and the Corpora-  
19 tion with respect thereto, and shall perform such other func-  
20 tions as specified in this title.

21 “(d) The members of the Board shall not, by reason of  
22 such membership, be deemed to be employees of the United  
23 States, and such members, except those who are regular full-  
24 time employees of the Government, shall receive for their  
25 services, as members, the per diem equivalent to the rate for

1 GS-18 when engaged in the performance of their duties, and  
2 each member of the Board shall be allowed travel expenses  
3 including per diem in lieu of subsistence, as authorized by  
4 section 5703 of title 5, United States Code, for persons in  
5 the Government service employed intermittently.

6 "DEFINITIONS

7 "SEC. 1204. (a) When used in this title, unless the  
8 context otherwise requires, the term—

9 "(1) 'environmental hazard' means any hazardous  
10 condition that might give rise to loss under an insurance  
11 contract, but which is beyond the control of the property  
12 owner;

13 "(2) 'essential property insurance' means insurance  
14 against direct loss to property as defined and limited  
15 in standard fire policies and extended coverage endorse-  
16 ment thereon, as approved by the State insurance au-  
17 thority, and insurance for such types, classes, and loca-  
18 tions of property against the perils of vandalism, ma-  
19 licious mischief, burglary, or theft, as the Corporation by  
20 rule shall designate. Such insurance shall not include  
21 automobile insurance and shall not include insurance of  
22 such types of manufacturing risks as may be excluded  
23 by the State insurance authority;

24 "(3) 'inspection facility' means the rating bureau  
25 or other person designated by the State insurance au-



1       thority to perform inspections under fair access to in-  
2       surance requirements plans under part A;

3       “(4) ‘insurer’ includes any insurance company or  
4       group of companies under common ownership which is  
5       authorized to engage in the insurance business under the  
6       laws of any State;

7       “(5) ‘pool’ means any pool or association of in-  
8       surance companies in any State which is formed, asso-  
9       ciated, or otherwise created for the purpose of making  
10      property insurance more readily available;

11      “(6) ‘losses resulting from riots or civil disorders’  
12      means losses resulting from riots or civil disorders  
13      under policies for standard lines of property insurance for  
14      which reinsurance is offered under section 1221, as deter-  
15      mined under regulations of the Corporation;

16      “(7) ‘property owner’ means any person having an  
17      insurable interest in real, personal, or mixed real and  
18      personal property;

19      “(8) ‘person’ includes any individual or group of  
20      individuals, corporation, partnership, association, or any  
21      other organized group of persons;

22      “(9) ‘reinsured losses’ means losses on reinsurance  
23      claims and all direct expenses incurred in connection  
24      therewith including, but not limited to, expenses for  
25      processing, verifying, and paying such losses;

1           “(10) ‘standard line of property insurance’ in-  
2 cludes—

3           “(A) fire and extended coverage;

4           “(B) vandalism and malicious mischief;

5           “(C) other allied lines of fire insurance;

6           “(D) burglary and theft;

7           “(E) those portions of multiple peril policies  
8 covering similar perils to those provided in (A),  
9 (B), (C), and (D);

10          “(F) inland marine;

11          “(G) glass;

12          “(H) boiler and machinery;

13          “(I) ocean marine;

14          “(J) aircraft physical damage; and

15          “(K) such other lines generally offered to the  
16 public which include protection against damage from  
17 riot or civil commotion as the Corporation by regu-  
18 lation may designate;

19          “(11) ‘State’ means the several States, the Dis-  
20 trict of Columbia, the Commonwealth of Puerto Rico,  
21 Guam, American Samoa, and the Trust Territory of the  
22 Pacific;

23          “(12) ‘urban area’ includes any municipality or  
24 other political subdivision of a State, subject to popula-  
25 tion or other limitations defined in rules and regulations



1 of the Corporation and such additional areas as design-  
2 nated by the State insurance authority; and

3 “(13) ‘year’ means a calendar year, fiscal year of  
4 a company, or such other period of twelve months as  
5 designated by the Corporation.

6 “(b) The Corporation is authorized to define, by rules  
7 and regulations, any technical or trade term, insofar as such  
8 definition is not inconsistent with the provisions of this title.

9 “PART A—STATEWIDE PLANS TO ASSURE FAIR ACCESS  
10 TO INSURANCE REQUIREMENTS

11 “FAIR PLANS

12 “SEC. 1211. (a) Each insurer reinsured under this  
13 title by the Corporation shall cooperate with the State  
14 insurance authority in each State in which it is to acquire  
15 such reinsurance in establishing and carrying out statewide  
16 plans to assure fair access to insurance requirements (FAIR  
17 plans).

18 “(b) Such plans must be approved by, and ad-  
19 ministered under the supervision of, the State insur-  
20 ance authority, or be authorized or required by State law,  
21 and shall be designed to make essential property insurance  
22 more readily available in, but not necessarily limited to,  
23 urban areas. Such plans may vary in detail from State to  
24 State because of local conditions, but all plans shall contain  
25 provision that—

1           “(1) no risk shall be written at surcharged rates  
2           or be denied insurance coverage for essential property  
3           insurance unless there has first been an inspection of  
4           the risk, without cost to the owner, by the inspection  
5           facility and a determination by the insurer, based on  
6           information in the inspection report and other sources,  
7           that the risk does not meet reasonable underwriting  
8           standards at the applicable premium rate;

9           “(2) inspections under the plan may be requested  
10          by the property owner, or his representative, an insurer,  
11          an insurance agent, broker or other producer, and such  
12          requests need not be made in writing;

13          “(3) the absence of a building owner or his repre-  
14          sentative during an inspection shall not preclude a tenant  
15          seeking insurance from obtaining an inspection under the  
16          plan;

17          “(4) following the inspection, a copy of the inspec-  
18          tion report shall be promptly sent by the inspection  
19          facility to the insurer or insurers, or to an all-industry  
20          placement facility, referred to under section 1212, as  
21          may be designated by the person requesting the  
22          inspection;

23          “(5) after the inspection report is received by an  
24          insurer, it shall promptly determine if the risk meets



1       reasonable underwriting standards at the applicable  
2       premium rate, and shall promptly return to the inspec-  
3       tion facility the inspection report and provide an action  
4       report setting forth:

5               “(A) the amount of coverage it agrees to  
6       write; and if the insurer agrees to write the cover-  
7       age with a surcharge (if such a surcharge is au-  
8       thorized by the State insurance authority), the im-  
9       provements necessary before it will provide cover-  
10      age at an unsurcharged premium rate;

11              “(B) the amount of coverage it agrees to write  
12      if certain improvements specified in the action re-  
13      port are made; or

14              “(C) the specific reasons it declines to write  
15      coverage;

16              “(6) if the insurer declines the risk, or agrees to  
17      write it on condition that the property will be improved,  
18      it shall also promptly send a copy of both the inspection  
19      and action reports to the property owner and the State  
20      insurance authority, and at the time the insurer sends  
21      such reports to the property owner, it shall also explain  
22      his right, under applicable State laws, to appeal the  
23      decision of the insurer to the State insurance authority,  
24      setting forth the procedures to be followed for such  
25      appeal;

1           “(7) all policies written pursuant to the plan shall  
2       be promptly written after inspection or reinspection and  
3       shall be separately coded so that appropriate records  
4       may be compiled for purposes of performing loss pre-  
5       vention and other studies of the operation of the plan;

6           “(8) the inspection facility shall submit to the  
7       State insurance authority, and to the Corporation,  
8       periodic reports setting forth information, by individual  
9       insurers, including the number of risks inspected under  
10      the plan, the number of risks accepted, the number of  
11      risks conditionally accepted and reinspections made,  
12      the number of risks declined, and such other informa-  
13      tion as the State insurance authority may request;

14          “(9) notice will be given to any policyholder a  
15      reasonable time prior to the cancellation or nonrenewal  
16      of any risk eligible under the plan (except in case of  
17      nonpayment of premium or evidence of incendiarism),  
18      to allow ample time for an application for new coverage  
19      to be made and a new policy to be written under the  
20      plan, and the insurer shall, in writing, explain to the  
21      policyholder the procedures for obtaining an inspection  
22      under the plan in the notice of cancellation or nonre-  
23      newal; and

24          “(10) a continuing public education program will  
25      be undertaken by the participating insurers, agents, and



1       brokers to assure that the plan receives adequate public  
2       attention.

3               “ALL-INDUSTRY PLACEMENT FACILITY

4       “SEC. 1212. Any plan under this part shall include an  
5       all-industry placement facility doing business with every  
6       insurer participating in the plan in the State, and shall pro-  
7       vide that this facility shall perform certain functions includ-  
8       ing, but not limited to, the following:

9               “(1) upon request by, or on behalf of, any property  
10       owner requesting an inspection under the plan, seek to  
11       distribute risks equitably among the insurers with which  
12       it is doing business; and

13              “(2) seek to place insurance up to the full insurable  
14       value of the risk to be insured with one or more insurers  
15       with which it is doing business, except to the extent that  
16       deductibles, percentage participation clauses, and other  
17       underwriting devices are employed to meet special prob-  
18       lems of insurability.

19               “INDUSTRY COOPERATION

20       “SEC. 1213. (a) Every insurer seeking reinsurance from  
21       the Corporation shall file a statement with the State insur-  
22       ance authority in each State in which it is participating in  
23       such plan, pledging its full participation and cooperation in  
24       carrying out the plan, and shall file a copy of such statement  
25       with the Corporation.

1       “(b) No insurer acquiring reinsurance from the Cor-  
2       poration shall direct any agent or broker or other producer  
3       not to solicit business through such a plan, nor shall any  
4       agent, broker, or other producer be penalized by such insurer  
5       in any way for submitting applications for insurance to an  
6       insurer under the plan.

7                       “PLAN EVALUATION

8       “SEC. 1214. (a) In accordance with such rules and  
9       regulations as the Corporation may prescribe, the State  
10      insurance authority shall—

11               “(1) transmit to the Corporation any proposed or  
12      adopted plan, or amendments thereto; and

13               “(2) advise the Corporation, from time to time,  
14      concerning the operation of the plan, its effectiveness in  
15      providing essential property insurance, and the need to  
16      form a pool of insurers or adopt other programs to make  
17      essential property insurance more readily available in  
18      urban areas of the State.

19       “(b) The Corporation may, after full consultation with  
20      the Board, by rules and regulations, modify the plan criteria  
21      set forth under this part, if it finds, on the basis of experience,  
22      that such action is necessary or desirable to carry out the  
23      purposes of this title. The Corporation may also, with respect  
24      to any State, waive compliance with one or more of the plan



1 criteria, upon certification by the State insurance authority  
2 that compliance is unnecessary or inadvisable under local  
3 conditions or State law.

4 "PART B—REINSURANCE COVERAGE

5 "REINSURANCE OF LOSSES FROM RIOTS OR CIVIL

6 DISORDERS

7 "SEC. 1221. (a) (1) The Corporation is authorized to  
8 offer to any insurer or pool, subject to the conditions set forth  
9 in section 1223, reinsurance against property losses resulting  
10 from riots or civil disorders in any one or more States.

11 "(2) Reinsurance shall be offered to any such insurer  
12 only on all standard lines of property insurance enumerated  
13 under subparagraphs (A) through (E) of section 1204 (a)  
14 (10) together, and any insurer or pool purchasing such  
15 reinsurance shall also be eligible to purchase reinsurance  
16 on any one or more standard lines of property insurance  
17 enumerated under subparagraphs (F) through (J) of  
18 section 1204 (a) (10) or which may be designated by  
19 regulation pursuant to subparagraph (K) of that section.

20 "(b) Reinsurance coverage under this section may be  
21 provided by the Corporation immediately following the  
22 enactment of this title to any insurer or pool in any State  
23 on a temporary basis, and on such terms and conditions as  
24 may be agreed upon, and coverage under such terms and  
25 conditions may be bound with respect to any such insurer

1 or pool by means of a written binder which shall remain  
2 in force not more than ninety days and shall expire at the  
3 earlier of either—

4 “(1) the termination of such ninety-day period, or

5 “(2) the effective date of any governing contract.  
6 agreement, treaty, or other arrangement entered into  
7 between the insurer or pool and the Corporation under  
8 section 1222 for the purpose of providing reinsurance  
9 coverage against losses resulting from riots or civil  
10 disorders.

11 “(c) No reinsurance will be offered to any insurer or  
12 pool in a State after the expiration of the written binder  
13 entered into under subsection (b), unless there is in effect  
14 in such State a plan as set forth under part A, and the in-  
15 surer is participating in such plan, and unless in those States  
16 where a pool has been established pursuant to State law,  
17 the insurer is participating in such a pool.

18 “REINSURANCE AGREEMENTS AND PREMIUMS

19 “SEC. 1222. (a) During the first year following enact-  
20 ment of this title, the Corporation is authorized to enter into  
21 any contract, agreement, treaty, or other arrangement with  
22 any insurer or pool for reinsurance coverage, in considera-  
23 tion of payment of such premiums, fees, or other charges by  
24 insurers or pools which the Corporation, after full consulta-



1   tion with the Board, deems to be adequate to obtain aggregate  
2   reinsurance premiums for deposit in the National Insurance  
3   Development Fund in excess of the estimated amount of  
4   insured riot losses during the calendar year 1967, on the  
5   assumption that a substantial proportion of the property in-  
6   surance written will be reinsured under this title, and there-  
7   after the Corporation may increase or decrease such premi-  
8   ums for reinsurance if it is found, after full consultation with  
9   the Board and the National Association of Insurance Com-  
10   missioners, that such action is necessary or appropriate to  
11   carry out the purposes of this title.

12       “(b) Reinsurance offered by the Corporation shall re-  
13   imburse an insurer for its total proved and approved claims  
14   for losses resulting from riots or civil disorders during the  
15   term of the reinsurance contract, agreement, treaty, or other  
16   arrangement, in excess of the amount of the insurer’s  
17   retention of such losses as provided in such reinsur-  
18   ance contract, agreement, treaty, or other arrangement  
19   entered into under this section.

20       “(c) Such contracts, agreements, treaties, or other ar-  
21   rangements may include any terms and conditions which  
22   the Corporation deems necessary to carry out the purposes  
23   of this title. The premium rates, terms and conditions of  
24   such contracts with insurers or pools, throughout the coun-  
25   try, in any one year shall be uniform.

1       “(d) Any contract, agreement, treaty, or other arrange-  
2       ment for reinsurance under this section shall be for a term  
3       expiring on April 30, 1969, and on April 30 each year  
4       thereafter, and shall be entered into within ninety days after  
5       the effective date of this title or within ninety days prior  
6       to April 30 each year thereafter, or within ninety days after  
7       an insurer is authorized to write insurance eligible for re-  
8       insurance in a State which it was not authorized to write  
9       in the preceding year.

10               “CONDITIONS OF REINSURANCE

11       “SEC. 1223. (a) Subject to the provisions of subsection  
12       (b) reinsurance shall not be offered by the Corporation in  
13       a State or be applicable to insurance policies written in that  
14       State by an insurer—

15       “(1) after one year following the effective date of  
16       this title, or, if the appropriate State legislative body  
17       has not met in regular session during that year, by the  
18       close of its next regular session, in any State which has  
19       not adopted appropriate legislation, retroactive to the  
20       effective date of this title, under which the State, its  
21       political subdivisions, or a governmental corporation or  
22       fund established pursuant to State law, will reimburse  
23       the Corporation, in an amount up to 5 per centum of  
24       the aggregate property insurance premiums earned in



1       that State during the preceding calendar year on those  
2       lines of insurance reinsured by the Corporation in that  
3       State during that year, such that the Corporation may be  
4       reimbursed for amounts paid by it in respect to reinsured  
5       losses that occurred in that State during a calendar year  
6       in excess of reinsurance premiums received in that State  
7       during the same calendar year in which the losses oc-  
8       curred plus the excess of the total premiums received by  
9       the Corporation for reinsurance in that State during a  
10      preceding period measured from the end of the most  
11      recent calendar year with respect to which the Corpora-  
12      tion was reimbursed for losses under this Act over any  
13      amounts paid by the Corporation for reinsured losses that  
14      occurred during this same period;

15           “(2) after thirty days following notification to the  
16      insurer that the Corporation finds (after consultation  
17      with the State insurance authority) that there has not  
18      been adopted by the State, or the property insurance  
19      industry in that State, a suitable program or programs,  
20      in addition to plans under part A, to make essential  
21      property insurance available without regard to environ-  
22      mental hazards, and that such action is necessary to  
23      carry out the purposes of this title, except that this  
24      paragraph shall not become effective until two years

1 after the effective date of this title, or at such earlier  
2 date as the Corporation, after consultation with the  
3 State insurance authority may determine.

4 “(3) after thirty days following notification to any  
5 insurer that the Corporation or the State insurance au-  
6 thority, finds that such insurer is not fully participating

7 “(A) in the plan in the State;

8 “(B) where it exists, in a pool; and

9 “(C) where it exists, in any other program  
10 found by the Corporation to aid in making essential  
11 property insurance more readily available in the  
12 State:

13 *Provided*, That the Corporation shall not make any  
14 such finding with respect to any insurer unless (i) prior  
15 to making such finding the Corporation has requested  
16 and considered the views of the State insurance author-  
17 ity as to whether such findings should be made, or (ii)  
18 the Corporation has made such a request in writing to  
19 the State insurance authority and such authority has  
20 failed to respond thereto within a reasonable period of  
21 time after receiving such request;

22 “(4) following a merger, acquisition, consolidation  
23 or reorganization involving one or more insurers having



1 lines of property insurance in the State reinsured by the  
2 Corporation and one or more insurers with or without  
3 such reinsurance, unless the surviving company

4 “(A) meets the criteria of eligibility for rein-  
5 surance, other than as provided under section 1222  
6 (d) ; and

7 “(B) within ten days pays any reinsurance  
8 premiums due; or

9 “(5) upon receipt of notice from the insurer or pool  
10 that it desires to cancel its reinsurance agreement with  
11 the Corporation in the State.

12 “(b) Notwithstanding the foregoing provisions of this  
13 section, reinsurance may be continued for the term of the  
14 policies written prior to the date of termination or non-  
15 renewal of reinsurance under this section, for as long as the  
16 insurer pays reinsurance premiums annually in such amounts  
17 as determined under section 1222, based on the annual pre-  
18 miums earned on such reinsured policies, and for the pur-  
19 pose of this subsection, the renewal, extension, modification,  
20 or other change in a policy, for which any additional pre-  
21 mium is charged, shall be deemed to be a policy written on  
22 the date such change was made.

1       “RECOVERY OF PREMIUMS: STATUTE OF LIMITATIONS

2       “SEC. 1224. (a) The Corporation, in a suit brought in a  
3   United States district court, shall be entitled to recover from  
4   any insurer the amount of any unpaid premiums lawfully  
5   payable by such insurer to the Corporation.

6       “(b) No action or proceeding shall be brought for the  
7   recovery of any premium due to the Corporation for reinsur-  
8   ance, or for the recovery of any premium paid to the Cor-  
9   poration in excess of the amount due to it, unless such action  
10   or proceeding shall have been brought within five years after  
11   the right accrued for which the claim is made, except that,  
12   where the insurer has made or filed with the Corporation a  
13   false or fraudulent annual statement, or other document with  
14   the intent to evade, in whole or in part, the payment of  
15   premiums, the claim shall not be deemed to have accrued  
16   until the discovery by the Corporation.

17       “PART C—PROVISIONS OF GENERAL APPLICABILITY

18               “CLAIMS AND JUDICIAL REVIEW

19       “SEC. 1231. (a) All reinsurance claims for losses under  
20   this title shall be submitted by insurers in accordance with  
21   terms and conditions as may be established by the  
22   Corporation.



1       “(b) (1) Upon disallowance of any claim against the  
2 Corporation under color of reinsurance made available under  
3 this title, or upon refusal of the claimant to accept the amount  
4 allowed upon any such claim, the claimant may institute an  
5 action against the Corporation on such claim in the United  
6 States district court for the district in which a major portion  
7 (in terms of value) of the claim arose.

8       “(2) Any such action must be begun within one year  
9 after the date upon which the claimant received from the  
10 Corporation written notice of disallowance or partial dis-  
11 allowance of the claim, and exclusive jurisdiction is hereby  
12 conferred upon United States district courts to hear and  
13 determine such actions without regard to the amount in  
14 controversy.

15       “FISCAL INTERMEDIARIES AND SERVICING AGENTS

16       “SEC. 1232. (a) In order to provide for maximum  
17 efficiency in the administration of the reinsurance program  
18 under this title, and in order to facilitate the expeditious pay-  
19 ment of any funds under such program, the Corporation may  
20 enter into contracts with any insurer, or pool, or other person  
21 for the purpose of providing for the performance of any  
22 or all of the following functions:

23               “(1) estimating or determining any amounts of  
24 payments for reinsurance claims;

1           “(2) receiving from the Corporation and disbursing  
2           and accounting for funds in making payments for rein-  
3           surance claims;

4           “(3) auditing the records of any insurer or other  
5           person to the extent necessary to assure that proper pay-  
6           ments are made;

7           “(4) establishing the basis of liability for reinsur-  
8           ance payments, including the total amount of proved  
9           and approved claims which may be payable to any  
10          insurer, and the total amount of premiums earned by  
11          any insurer in the respective States for reinsured lines  
12          of property insurance; and

13          “(5) otherwise assisting in any manner provided  
14          in the contract to further the purposes of this title.

15          “(b) (1) Any such contract may require the insurer,  
16          pool, or other person, or any of its officers or employees certi-  
17          fying payments or disbursing funds pursuant to the contract,  
18          or otherwise participating in carrying out the contract, to  
19          give surety bond to the Corporation in such amounts as it  
20          may deem appropriate.

21          “(2) In the absence of gross negligence or intent to  
22          defraud the Corporation—

23               “(A) no individual designated pursuant to a con-  
24               tract under this section to certify payments shall be



1        liable with respect to any payment certified by him  
2        under this section; and

3            “(B) no officer of the United States disbursing  
4        funds shall be liable with respect to any otherwise  
5        proper payment by him if it was based on a voucher  
6        signed by an individual designated pursuant to a contract  
7        under this section to certify payments.

8            “NATIONAL INSURANCE DEVELOPMENT FUND

9            “SEC. 1233. (a) To carry out the programs authorized  
10        under this title, the Secretary is authorized to establish a  
11        National Insurance Development Fund (hereinafter called  
12        the fund) which shall be available, without fiscal year limi-  
13        tation—

14            . “(1) to make such payments as may, from time  
15        to time, be required of the Corporation under reinsur-  
16        ance contracts under this title;

17            “(2) to pay such administrative expenses of the  
18        Corporation as may be necessary or appropriate to carry  
19        out the purposes of this title; and

20            “(3) to repay to the Secretary of the Treasury such  
21        sums, including interest thereon, as may be borrowed  
22        from him under section 520 (b) .

1 “(b) The fund shall be credited with—

2 “(1) reinsurance premiums, fees, or other charges  
3 which may be paid or collected in connection with re-  
4 insurance provided under part B;

5 “(2) interest which may be earned on investments  
6 of the fund;

7 “(3) such amounts as may be advanced to the  
8 fund from appropriations in order to maintain the fund  
9 in an operative condition adequate to meet its liabilities;

10 “(4) receipts from any other source which may,  
11 from time to time, be credited to the fund; and

12 “(5) funds borrowed by the Secretary under sec-  
13 tion 520 (b) and deposited in the fund.

14 “(c) If, after any amounts which may have been ad-  
15 vanced to the fund from appropriations have been credited  
16 to the appropriation from which advanced (including inter-  
17 est thereon at the rate prescribed under section 520 (b) ), the  
18 Secretary determines that the moneys of the fund are in  
19 excess of current needs, he may request the investment of  
20 such amounts as he deems advisable by the Secretary of the  
21 Treasury in obligations issued or guaranteed by the United  
22 States.



1           “RECORDS, ANNUAL STATEMENT, AND AUDITS

2           “SEC. 1234. (a) Any insurer acquiring reinsurance  
3 from the Corporation shall furnish the Corporation with  
4 such summaries and analyses of information in their records  
5 as may be necessary to carry out the purposes of this title,  
6 in such form as the Corporation, in cooperation with the  
7 State insurance authority, shall, by rules and regulations,  
8 prescribe. The Corporation shall make use of State insurance  
9 authority examination reports and facilities to the maximum  
10 extent feasible.

11          “(b) Any insurer acquiring reinsurance from the Corpo-  
12 ration shall file with the Corporation a true and correct copy  
13 of any annual statement, or amendment thereof, filed with  
14 the State insurance authority of its domiciliary State, at the  
15 time it files such statement or amendment with such State  
16 insurance authority.

17          “(c) Any insurer or other person executing any con-  
18 tract, agreement, or other appropriate arrangement with the  
19 Corporation under section 1222 or section 1232, shall keep  
20 reasonable records which fully disclose the total costs of  
21 the programs undertaken or the services being rendered, and  
22 such other records as will facilitate an effective audit of  
23 liability for reinsurance payments by the Corporation.

24          “(d) The Corporation and the Comptroller General of  
25 the United States, or any of their duly authorized repre-

1   sentatives, shall have access for the purpose of investigation,  
2   audit, and examination to any books, documents, papers,  
3   and records of any insurer or other person that are pertinent  
4   to the costs of any program undertaken for, or services  
5   rendered to, the Corporation. Such audits shall be conducted  
6   to the maximum extent feasible in cooperation with the State  
7   insurance authorities and through the use of their examining  
8   facilities.

9       STUDY OF REINSURANCE AND OTHER PROGRAMS

10       “SEC. 1235. (a) The Corporation is authorized and  
11   directed to conduct a study of reinsurance and other means  
12   to help assure—

13       “ (1) an adequate market for burglary and theft and  
14   other property insurance in urban areas; and

15       “ (2) adequate availability of surety bonds for con-  
16   struction contractors in urban areas.

17       “ (b) The Corporation shall submit the results of this  
18   study, together with appropriate recommendations to the  
19   Secretary for transmittal to the President and the Congress  
20   no later than one year following the date of enactment of  
21   this title.

22       “OTHER STUDIES

23       “SEC. 1236. (a) The Corporation, in cooperation with  
24   State insurance authorities and the private insurance indus-



1 try, is authorized to undertake such studies as may be neces-  
2 sary to carry out the purposes of this title, including, but not  
3 limited to, inquiries concerning—

4 “(1) the operation of plans under part A ;

5 “(2) the extent to which essential property insur-  
6 ance is unavailable in urban areas ;

7 “(3) the market for private reinsurance, and

8 “(4) loss prevention methods and procedures, in-  
9 surance marketing methods, and underwriting tech-  
10 niques.

11 “GENERAL POWERS OF CORPORATION

12 “SEC. 1237. (a) For the purpose of carrying out its  
13 functions under this title, the Corporation shall have powers:

14 “(1) to have a corporate seal which may be altered  
15 at pleasure and to use the same by causing it, or a fac-  
16 simile thereof, to be impressed or affixed or in any other  
17 manner reproduced ;

18 “(2) to sue and be sued ;

19 “(3) to enter into and perform contracts, leases,  
20 cooperative agreements, or other transactions, on such  
21 terms as the Corporation may deem appropriate, and  
22 consent to modification thereof, without regard to sec-  
23 tions 3648 and 3709 of the Revised Statutes, as amended  
24 (31 U.S.C. 529 and 41 U.S.C. 5), and section 322 of

1 the Act of June 30, 1932, as amended (40 U.S.C.  
2 278a) ;

3 “(4) to appoint and fix the compensation of such  
4 personnel as may be necessary for the conduct of its  
5 business in accordance with the provisions of title 5,  
6 United States Code, governing appointment in the com-  
7 petitive service, and chapter 51 and subchapter III  
8 of chapter 53 of such title relating to classification and  
9 General Schedule pay rates, and to obtain the services  
10 of experts and consultants in accordance with section  
11 3109 of title 5, United States Code, at rates for indi-  
12 viduals not to exceed the per diem equivalent for  
13 GS-18;

14 “(5) except as may be otherwise provided in this  
15 title, in the Government Corporation Control Act, or in  
16 any other laws specifically applicable to Government  
17 corporations, to determine the necessity for and the char-  
18 acter and amount of its obligations and expenditures and  
19 the manner in which they shall be incurred, allowed,  
20 paid, and accounted for, except that necessary expenses  
21 in connection with the payment of reinsured losses, in-  
22 cluding any audits or other inquiries, shall be considered  
23 nonadministrative expenses;



1           “(6) to issue such rules and regulations deemed  
2           necessary or appropriate by the Executive Director,  
3           after full consultation with the Board, after notice, and  
4           hearing if granted, as required by the Administrative  
5           Procedure Act, to carry out the purposes of this title;  
6           and

7           “(7) to exercise all powers specifically granted by  
8           the provisions of this title and such incidental powers as  
9           are necessary to carry out the purposes of this title.

10          “(b) All suits of a civil nature at common law or in  
11          equity to which the Corporation shall be a party shall be  
12          deemed to arise under the laws of the United States, except  
13          that no attachment, injunction, garnishment, or other similar  
14          process, mesne or final, shall be issued against the Corpora-  
15          tion or its property.

16          “SERVICES AND FACILITIES OF OTHER AGENCIES—UTILIZA-  
17          TION OF PERSONNEL, SERVICES, FACILITIES, AND  
18          INFORMATION

19          “SEC. 1238. The Corporation may, with the consent of  
20          the agency concerned, accept and utilize on a reimbursable  
21          basis, the officers, employees, services, facilities, and infor-  
22          mation of any agency of the Federal Government, except  
23          that any such agency having custody of any data relating  
24          to any of the matters within the jurisdiction of the Corpora-

1 tion shall, to the extent permitted by law, upon request of  
2 the Corporation, make such data available to the Corpora-  
3 tion without reimbursement.

4 "ADVANCE PAYMENTS AND FINALITY OF CERTAIN  
5 FINANCIAL TRANSACTIONS

6 "SEC. 1239. (a) Notwithstanding the provisions of  
7 any other law to the contrary, any financial transaction  
8 relating to reinsurance under this title shall be final and con-  
9 clusive upon all officers of the United States.

10 "(b) Any payments which are made under the authority  
11 of this Act may be made, after necessary adjustments on  
12 account of previously made underpayments or overpayments,  
13 in advance or by way of reimbursement. Payments by the  
14 Corporation may be made in such installments and on such  
15 conditions as the Corporation may determine.

16 "TAXATION

17 "SEC. 1240. (a) The Corporation, including its re-  
18 serves, surplus, and income shall be exempt from all taxation  
19 now or hereafter imposed by the United States, or by any  
20 State, or any subdivision thereof, except any real property  
21 acquired by the Corporation as a result of reinsurance shall  
22 be subject to taxation by any State or political subdivision  
23 thereof, to the same extent, according to its value as other  
24 real property is taxed.



1       “(b) Any measures undertaken by any State to meet or  
2 to fund its obligations under section 1223 (a) (1) shall not  
3 be the subject of any retaliatory or fiscal imposition by any  
4 other State.

5                               “ANNUAL REPORT

6       “SEC. 1241. The Secretary shall include in his annual  
7 report a report of operations of the Corporation and its  
8 activities.

9                               “APPROPRIATIONS

10       “SEC. 1242. There are hereby authorized to be appro-  
11 priated such sums as may be necessary to carry out this  
12 title.”

13                               FINANCING

14       SEC. 1104. Section 520 (b) of the National Housing Act  
15 is amended by inserting “(1)” after the word “necessary”  
16 in the first sentence, and by striking out the period at the end  
17 of such sentence and inserting in lieu thereof “, and (2) to  
18 make payments for reinsured losses under XII of this Act.”.

19                               GOVERNMENT CORPORATION CONTROL ACT

20       SEC. 1105. Section 101 of the Government Corporation  
21 Control Act is amended by inserting after “Federal Housing  
22 Administration,” “National Insurance Development Cor-  
23 poration,”.

## COMPENSATION OF EXECUTIVE DIRECTOR

SEC. 1106. Section 5315 of title 5, United States Code, is amended by inserting the following new paragraph at the end thereof:

“(90) Executive Director, National Insurance Development Corporation.”

# CLARIFYING AMENDMENTS TO ACTS REFERRING TO DISASTERS

SEC. 1107. (a) Section 2 (a) of the Act entitled "An Act to authorize Federal assistance to States and local governments in major disasters, and for other purposes", approved September 30, 1950, as amended (42 U.S.C. 1855a (a) ), is amended by inserting "riot or civil disorder," before "or other catastrophe".

(b) Section 7(b)(1) of the Small Business Act is amended by inserting “, riots or civil disorders,” before “or other catastrophes”.

(c) Section 101 (c) (2) (E) of the Housing and Urban Development Act of 1965 is amended by striking out “natural”.

(d) Section 111 of the Housing Act of 1949 is amended by inserting “riot or civil disorder,” before “or other catastrophe”.



1       (e) Section 203 (h) of the National Housing Act is  
2 amended by inserting "riot or civil disorder," before "or  
3 other catastrophe".

## 4       TITLE XII—NATIONAL FLOOD INSURANCE

### 5                       SHORT TITLE

6       SEC. 1201. This title may be cited as the "National  
7 Flood Insurance Act of 1968".

### 8                       FINDINGS AND DECLARATION OF PURPOSE

9       SEC. 1202. (a) The Congress finds that (1) from time  
10 to time flood disasters have created personal hardships and  
11 economic distress which have required unforeseen disaster  
12 relief measures and have placed an increasing burden on the  
13 Nation's resources; (2) despite the installation of preventive  
14 and protective works and the adoption of other public pro-  
15 grams designed to reduce losses caused by flood damage,  
16 these methods have not been sufficient to protect adequately  
17 against growing exposure to future flood losses; (3) as a  
18 matter of national policy, a reasonable method of sharing  
19 the risk of flood losses is through a program of flood insur-  
20 ance which can complement and encourage preventive and  
21 protective measures; and (4) if such a program is initiated  
22 and carried out gradually, it can be expanded as knowledge  
23 is gained and experience is appraised, thus eventually mak-

1 ing flood insurance coverage available on reasonable terms  
2 and conditions to persons who have need for such protection.

3 (b) The Congress also finds that (1) many factors have  
4 made it uneconomic for the private insurance industry alone  
5 to make flood insurance available to those in need of such  
6 protection on reasonable terms and conditions; but (2) a  
7 program of flood insurance with large-scale participation of  
8 the Federal Government and carried out to the maximum  
9 extent practicable by the private insurance industry is feasi-  
10 ble and can be initiated.

11 (c) The Congress further finds that (1) a program of  
12 flood insurance can promote the public interest by providing  
13 appropriate protection against the perils of flood losses and  
14 encouraging sound land use by minimizing exposure of prop-  
15 erty to flood losses; and (2) the objectives of a flood insur-  
16 ance program should be integrally related to a unified  
17 national program for flood plain management and, to this  
18 end, it is the sense of Congress that within two years follow-  
19 ing the effective date of this title, the President should  
20 transmit to the Congress for its consideration any further  
21 proposals necessary for such a unified program, including  
22 proposals for the allocation of costs among beneficiaries of  
23 flood protection.



1       (d) It is therefore the purpose of this title to (1) au-  
2   thorize a flood insurance program by means of which flood  
3   insurance, over a period of time, can be made available on  
4   a nationwide basis through the cooperative efforts of the  
5   Federal Government and the private insurance industry, and  
6   (2) provide flexibility in the program so that such flood  
7   insurance may be based on workable methods of pooling  
8   risks, minimizing costs, and distributing burdens equitably  
9   among those who will be protected by flood insurance and  
10  the general public.

11       (e) It is the further purpose of this title to (1) en-  
12  courage State and local governments to make appropriate  
13  land use adjustments to constrict the development of land  
14  which is exposed to flood damage and minimize damage  
15  caused by flood losses, (2) guide the development of pro-  
16  posed future construction, where practicable, away from loca-  
17  tions which are threatened by flood hazards, (3) encourage  
18  lending and credit institutions, as a matter of national policy,  
19  to assist in furthering the objectives of the flood insurance  
20  program, (4) assure that any Federal assistance provided  
21  under the program will be related closely to all flood-related  
22  programs and activities of the Federal Government, and  
23  (5) authorize continuing studies of flood hazards, in order

1 to provide for a constant reappraisal of the flood insurance  
2 program and its effect on land use requirements.

3 AMENDMENTS TO THE FEDERAL FLOOD INSURANCE ACT OF  
4 1956

5 SEC. 1203. (a) The second sentence of section 15 (e)  
6 of the Federal Flood Insurance Act of 1956 (79 Stat. 1078)  
7 is amended—

8 (1) by striking out “rate” the second time it  
9 appears in such sentence, and inserting in lieu thereof  
10 “market yield”, and

11 (2) by striking out “as of the last day of”, and  
12 inserting in lieu thereof “during”.

13 (b) Section 15 (e) of such Act is further amended by  
14 striking out the last sentence thereof.

15 (c) Sections 2 through 14, subsections (a) through  
16 (d), and (f) and (g) of section 15, and sections 16 through  
17 23 of such Act are hereby repealed.

18 DEFINITIONS

19 SEC. 1204. As used in this title, the term—

20 (1) “Flood” shall have such meaning as may be  
21 prescribed in regulations of the Secretary, and may in-  
22 clude inundation from the overflow of streams, rivers,  
23 or other bodies of water, and from tidal surges, abnor-



1 mally high tidal water, tidal waves, hurricanes, and other  
2 severe storms or deluge;

3 (2) "United States" (when used in a geographic  
4 sense), and "State", respectively, include the several  
5 States, the District of Columbia, the territories and pos-  
6 sessions, and the Commonwealth of Puerto Rico;

7 (3) "Insurance company", "other insurer", "insur-  
8 ance agents and brokers" include any organizations and  
9 persons authorized to engage in the insurance business  
10 under the laws of any State (as "State" is defined in  
11 paragraph (2) ) ;

12 (4) "Insurance adjustment organizations" includes  
13 any organizations and persons engaged in the business of  
14 adjusting loss claims arising under insurance policies  
15 issued by any insurance company or other insurer au-  
16 thorized to engage in the insurance business under the  
17 laws of any State (as "State" is defined in paragraph  
18 (2) ) ;

19 (5) "Person" includes any individual or group  
20 of individuals, corporation, partnership, association, or  
21 any other organized group of persons, including State  
22 and local governments and agencies thereof; and

23 (6) "Secretary" means the Secretary of Housing  
24 and Urban Development.

## 1 CHAPTER I—THE NATIONAL FLOOD INSURANCE PROGRAM

## 2 BASIC AUTHORITY

3 SEC. 1205. (a) To carry out the purposes of this title,  
4 the Secretary is authorized to establish and carry out a na-  
5 tional flood insurance program which will enable interested  
6 persons to purchase insurance against loss resulting from  
7 physical damage to or loss of real property or personal prop-  
8 erty related thereto arising from any flood occurring in the  
9 United States.

10 (b) In carrying out the flood insurance program the  
11 Secretary shall, to the maximum extent practicable, encour-  
12 age and arrange for—

13 (1) appropriate financial participation and risk-  
14 sharing in the program by insurance companies or other  
15 insurers, and

16 (2) other appropriate participation on other than a  
17 risk-sharing basis by insurance companies or other in-  
18 surers, insurance agents and brokers, and insurance  
19 adjustment organizations,

20 in accordance with the provisions of chapter II.

## 21 SCOPE OF PROGRAM AND PRIORITIES

22 SEC. 1206. (a) In carrying out the flood insurance pro-  
23 gram the Secretary shall afford a priority to making flood



1 insurance available to cover residential properties which are  
2 designed for the occupancy of from one to four families.

3 (b) If on the basis of—

4 (1) studies and investigations undertaken and car-  
5 ried out and information received or exchanged under  
6 section 1208, and

7 (2) such other information as may be necessary,  
8 the Secretary determines that it would be feasible to  
9 extend the flood insurance program to cover other prop-  
10 erties, he may take such action under this title as from  
11 time to time may be necessary in order to make flood  
12 insurance available to cover, on such basis as may be  
13 feasible, any types and classes of—

14 (A) other residential properties,

15 (B) business properties,

16 (C) agricultural properties,

17 (D) properties occupied by private nonprofit  
18 organizations, and

19 (E) properties owned by State and local gov-  
20 ernments and agencies thereof,

21 and any such extensions of the program to any types  
22 and classes of these properties shall from time to time be  
23 prescribed in regulations.

1 (c) The Secretary shall make flood insurance available  
2 in only those States or areas (or subdivisions thereof) which  
3 he has determined have—

4 (1) evidenced a positive interest in securing flood  
5 insurance coverage under the flood insurance program,  
6 and

7 (2) given satisfactory assurance that by June 30,  
8 1970, permanent land use and control measures will have  
9 been adopted for the State or area (or subdivision)  
10 which are consistent with the comprehensive criteria for  
11 land management and use developed under section 302,  
12 and that the application and enforcement of such meas-  
13 ures will commence as soon as technical information on  
14 floodways and on controlling flood elevations is available.

15 NATURE AND LIMITATION OF INSURANCE COVERAGE

16 SEC. 1207. (a) The Secretary from time to time shall,  
17 after consultation with the advisory committee authorized  
18 under section 1219 and appropriate representatives of the in-  
19 surance authorities of the respective States, provide by regu-  
20 lation for general terms and conditions of insurability which  
21 shall be applicable to properties eligible for flood insurance  
22 coverage under section 1206, including—



1           (1) the types, classes, and locations of any such  
2 properties which shall be eligible for flood insurance;

3           (2) the nature of and limits of loss or damage in  
4 any areas (or subdivisions thereof) which may be  
5 covered by such insurance;

6           (3) the classification, limitation, and rejection of  
7 any risks which may be advisable;

8           (4) appropriate minimum premiums;

9           (5) appropriate loss-deductibles; and

10          (6) any other terms and conditions relating to in-  
11 surance coverage or exclusion which may be necessary  
12 to carry out the purpose of this title.

13          (b) In addition to any other terms and conditions under  
14 subsection (a), such regulations shall provide that—

15           (1) any flood insurance coverage based on charge-  
16 able premium rates (under section 1209) which are less  
17 than estimated premium rates (under section 1208 (a)  
18 (1) ), shall not exceed—

19           (A) in the case of residential properties which  
20 are designed for the occupancy of from one to four  
21 families,

22           (i) \$15,000 aggregate liability for any  
23 dwelling unit, and \$30,000 for any single dwell-

1           ing structure containing more than one dwell-  
2           ing unit, and

3           (ii) \$5,000 aggregate liability per dwell-  
4           ing unit for any contents related thereto; and

5           (B) in the case of any other properties which  
6           may become eligible for flood insurance coverage  
7           under section 1206, \$30,000 aggregate liability for  
8           any single structure; and

9           (2) any flood insurance coverage which may be  
10          made available in excess of any of the limits specified  
11          in subparagraphs (A) and (B) shall be based only on  
12          chargeable premium rates (under section 1209) which  
13          are not less than estimated premium rates (under sec-  
14          tion 1208 (a) (1) ), and the amount of such excess  
15          coverage shall not in any case exceed an amount which  
16          is equal to any such limit so specified.

17                   ESTIMATES OF PREMIUM RATES

18          SEC. 1208. (a) The Secretary is authorized to undertake  
19          and carry out such studies and investigations, and to receive  
20          or exchange such information as may be necessary, to esti-  
21          mate on an area, subdivision, or other appropriate basis—

22               (1) the risk premium rates for flood insurance  
23          which,



1           (A) based on consideration of the risk involved  
2           and accepted actuarial principles, and

3           (B) including—

4                 (i) applicable operating costs and allow-  
5                 ances prescribed under section 1212 to be re-  
6                 flected in such rates, and

7                 (ii) any administrative expenses (or por-  
8                 tion of such expenses) of carrying out the flood  
9                 insurance program which, in his discretion,  
10                should properly be reflected in such rates,

11           would be required in order to make such insurance avail-  
12           able on an actuarial basis for any types and classes of  
13           properties for which insurance coverage shall be avail-  
14           able under section 1206;

15           (2) the rates, if less than the rates estimated under  
16           paragraph (1), which would be reasonable, would en-  
17           courage prospective insureds to purchase flood insurance,  
18           and would be consistent with the purposes of this title;  
19           and

20           (3) the extent, if any, to which federally assisted  
21           or other flood protection measures initiated after the  
22           effective date of this title affect such rates.

23           (b) In carrying out subsection (a), the Secretary shall,  
24           to the maximum extent feasible and on a reimbursement  
25           basis, utilize the services of the Department of the Army,

1 the Department of the Interior, the Department of Agricul-  
 2 ture, the Department of Commerce, and the Tennessee Valley  
 3 Authority, and, as appropriate, other Federal departments  
 4 or agencies, and for such purposes, may enter into agree-  
 5 ments or other appropriate arrangements with any persons.

6 (c) The Secretary shall give priority to conducting  
 7 studies and investigations, or making estimates under this  
 8 section in those States or areas (or subdivisions thereof)  
 9 which he has determined have evidenced a positive interest  
 10 in securing flood insurance coverage under the flood in-  
 11 surance program.

#### 12 ESTABLISHMENT OF CHARGEABLE PREMIUM RATES

13 SEC. 1209. (a) On the basis of estimates made under  
 14 section 1208 and such other information as may be necessary,  
 15 the Secretary from time to time shall, after consultation with  
 16 the advisory committee authorized under section 1219 and  
 17 appropriate representatives of the insurance authorities of  
 18 the respective States, by regulation prescribe—

19 (1) chargeable premium rates for any types and  
 20 classes of properties for which insurance coverage shall  
 21 be available under section 1206 (at less than the esti-  
 22 mated risk premium rates under section 1208 (a) (1),  
 23 if necessary), and

24 (2) the terms and conditions under which and



1 areas (including subdivisions thereof) within which  
2 such rates shall apply.

3 (b) Such rates shall, insofar as practicable, be—

4 (1) based on a consideration of the respective risks  
5 involved, including differences in risks due to land use  
6 measures, floodproofing, flood forecasting, and similar  
7 measures,

8 (2) adequate, on the basis of accepted actuarial  
9 principles, to provide reserves for anticipated losses, or,  
10 if less than such amount, consistent with the objective  
11 of making flood insurance available, where necessary,  
12 at reasonable rates so as to encourage prospective in-  
13 sureds to purchase such insurance, and

14 (3) stated so as to reflect the basis for such rates,  
15 including the differences (if any) between the estimated  
16 risk premium rates under paragraph (1) of section  
17 1208 (a), and the estimated rates under paragraph (2)  
18 of such section.

19 (c) Notwithstanding any other provision of this title,  
20 the chargeable rate with respect to any property, the con-  
21 struction or substantial improvement of which the Secretary  
22 determines has been started after identification of the area  
23 in which such property is located has been published un-  
24 der paragraph (1) of section 1260, shall not be less than

1 the estimated risk premium rate for such area (or subdivi-  
2 sion thereof) under section 1208 (a) (1).

3 (d) In the event any chargeable premium rate pre-  
4 scribed under this section is—

5 (1) at a rate which is not less than the estimated  
6 risk premium rate under section 1208 (a) (1), and

7 (2) such rate includes any amount for administra-  
8 tive expenses of carrying out the flood insurance program  
9 which have been estimated under clause (ii) of section  
10 1208 (a) (1) (B),

11 a sum equal to such amount shall be paid to the Secretary,  
12 and he shall deposit such sum in the fund authorized under  
13 section 1211.

14 **TREASURY BORROWING AUTHORITY**

15 **SEC. 1210.** (a) All authority which was vested in the  
16 Housing and Home Finance Administrator by virtue of  
17 section 15 (e) of the Federal Flood Insurance Act of 1956  
18 (70 Stat. 1084) (pertaining to the issue of notes or other  
19 obligations to the Secretary of the Treasury), as amended  
20 by subsections (a) and (b) of section 1203, shall be avail-  
21 able to the Secretary for the purpose of carrying out this title.

22 (b) Any funds borrowed by the Secretary under this  
23 authority shall, from time to time, be deposited in the



1 National Flood Insurance Fund established under section  
2 1211.

3 NATIONAL FLOOD INSURANCE FUND

4 SEC. 1211. (a) To carry out the flood insurance pro-  
5 gram authorized by this title, the Secretary is authorized to  
6 establish in the Treasury of the United States a National  
7 Flood Insurance Fund (hereinafter referred to as the "fund")  
8 which shall be available, without fiscal year limitation—

9 (1) for making such payments as may, from time  
10 to time, be required under section 1234;

11 (2) to pay reinsurance claims under the excess  
12 loss reinsurance coverage provided under section 1235;

13 (3) to repay to the Secretary of the Treasury such  
14 sums as may be borrowed from him (together with  
15 interest) in accordance with the authority provided in  
16 section 1210; and

17 (4) to pay such administrative expenses (or por-  
18 tion of such expenses) of carrying out the flood insurance  
19 program as he may deem necessary; and

20 (5) for the purposes specified in subsection (d)  
21 under the conditions provided therein.

22 (b) The fund shall be credited with—

23 (1) such funds borrowed in accordance with the  
24 authority provided in section 1210 as may from time  
25 to time be deposited in the fund;

1           (2) premiums, fees, or other charges which may be  
2       paid or collected in connection with the excess loss  
3       reinsurance coverage provided under section 1235;

4           (3) such amounts as may be advanced to the fund  
5       from appropriations in order to maintain the fund in  
6       an operative condition adequate to meet its liabilities;

7           (4) interest which may be earned on investments  
8       of the fund pursuant to subsection (c) ;

9           (5) such sums as are required to be paid to the  
10      Secretary under section 1209 (d) ; and

11          (6) receipts from any other operations under this  
12      title which may, from time to time, be credited to the  
13      fund (including premiums under the conditions specified  
14      in subsection (d) , and salvage proceeds, if any, resulting  
15      from reinsurance coverage) .

16      (c) If after—

17          (1) all outstanding obligations have been liquidated,  
18      and

19          (2) any outstanding amounts which may have been  
20      advanced to the fund from appropriations authorized  
21      under section 1275 (a) (2) (B) have been credited to  
22      the appropriation from which advanced, with interest  
23      accrued at the rate prescribed under section 15 (e) of  
24      the Federal Flood Insurance Act of 1956, as amended  
25      by section 1203 (a) of this title,



1 the Secretary determines that the moneys of the fund are in  
2 excess of current needs, he may request the investment of  
3 such amounts as he deems advisable by the Secretary of the  
4 Treasury in obligations issued or guaranteed by the United  
5 States.

6 (d) In the event the Secretary makes a finding in  
7 accordance with the provisions of section 1240 that operation  
8 of the flood insurance program, in whole or in part, should  
9 be carried out through the facilities of the Federal Govern-  
10 ment, the fund shall be available for all such purposes inci-  
11 dent thereto, including—

12 (1) the costs incurred in the adjustment and pay-  
13 ment of any claims for losses, and

14 (2) payment of applicable operating costs pre-  
15 scribed under section 1212,

16 for so long as the program is so carried out, and in such  
17 event any premiums paid shall be deposited by the Secretary  
18 to the credit of the fund.

19 OPERATING COSTS AND ALLOWANCES

20 SEC. 1212. (a) The Secretary from time to time shall  
21 negotiate with appropriate representatives of the insurance  
22 industry for the purpose of establishing—

23 (1) a current schedule of operating costs applicable  
24 to both risk-sharing insurance companies or other in-

1       surers, and insurance companies and other insurers, insur-  
2       ance agents and brokers, and insurance adjustment orga-  
3       nizations participating on other than a risk-sharing  
4       basis, and

5           (2) a current schedule of operating allowances ap-  
6       plicable to risk-sharing insurance companies or other  
7       insurers,

8       which may be payable in accordance with the provisions of  
9       chapter II, and such schedules, from time to time, shall be  
10      prescribed in regulations.

11      (b) For purposes of subsection (a) —

12           (1) the term “operating costs” shall include, with-  
13      out limiting such term, the following:

14           (A) expense reimbursements covering the  
15       direct, actual, and necessary expenses incurred in  
16       connection with selling and servicing flood insurance  
17       coverage;

18           (B) reasonable compensation payable for sell-  
19       ing and servicing flood insurance coverage, or com-  
20       missions or service fees paid to producers;

21           (C) loss adjustment expenses;

22           (D) other direct, actual, and necessary ex-  
23       penses which the Secretary finds are incurred in



1 connection with selling or servicing flood insurance  
2 coverage; and

3 (2) the term "operating allowances" shall include,  
4 without limiting such term, amounts for profit and con-  
5 tingencies which the Secretary finds reasonable and  
6 necessary to carry out the purposes of this title.

7 PAYMENT OF CLAIMS

8 SEC. 1213. The Secretary is authorized to prescribe  
9 regulations establishing the general method or methods by  
10 which proved and approved claims for losses may be adjusted  
11 and paid for any damage to or loss of property which is  
12 covered by flood insurance made available under the pro-  
13 visions of this title.

14 DISSEMINATION OF FLOOD INSURANCE INFORMATION

15 SEC. 1214. The Secretary shall take such action as may,  
16 from time to time, be necessary in order to make informa-  
17 tion and data available to the public and to any State or  
18 local agency or official, with regard to—

19 (1) the flood insurance program, its coverage and  
20 objectives, and

21 (2) estimated and chargeable flood insurance  
22 premium rates, including the basis for and differences  
23 between such rates in accordance with the provisions  
24 of section 1209.

## PROHIBITION AGAINST CERTAIN DUPLICATIONS OF BENEFITS

SEC. 1215. (a) Notwithstanding the provisions of any other law, no Federal disaster assistance shall be made available to any person—

(1) for the physical loss, destruction, or damage of real or personal property, to the extent that such loss, destruction, or damage is covered by a valid claim which may be adjusted and paid under flood insurance made available under the authority of this title, or

(2) except in the situation provided for under paragraph (3) for the physical loss, destruction, or damage of real and personal property, to the extent that such loss, destruction, or damage could have been covered by a valid claim under flood insurance which had been made available under the authority of this title, if—

(A) such loss, destruction, or damage occurred subsequent to one year following the date flood insurance was made available in the area (or subdivision thereof) in which such property or the major part thereof was located, and

(B) such property was eligible for flood insurance under this title at that date,



1       and in such circumstances the extent that such loss,  
2       destruction, or damage could have been covered shall  
3       be presumed (for purposes of this subsection) to be an  
4       amount not less than the maximum limit of insurable  
5       loss or damage applicable to such property in such  
6       area (or subdivision thereof), pursuant to regulations  
7       under section 1207, at the time insurance was made  
8       available in such area (or subdivision thereof) ;

9           (3) in order to assure that the provisions of para-  
10       graph (2) will not create undue hardship for low-income  
11       persons who might otherwise benefit from the provision  
12       of Federal disaster assistance, the Secretary shall provide  
13       by regulation, for the circumstances in which the pro-  
14       visions of paragraph (2) shall not be applicable to any  
15       such persons.

16       (b) For purposes of this section "Federal disaster assist-  
17       ance" shall include any Federal financial assistance which  
18       may be made available to any person as a result of—

19           (1) a major disaster (within the meaning of that  
20       term as determined by the President pursuant to the  
21       Act entitled "An Act to authorize Federal assistance to  
22       State and local governments in major disasters, and for  
23       other purposes", as amended (42 U.S.C. 1855-  
24       1855g.),

(2) a natural disaster, as determined by the Secretary of Agriculture pursuant to section 321 of the Consolidated Farmers Home Administration Act of 1961 (7 U.S.C. 1961), and

(3) a disaster with respect to which loans may be made under section 7 (b) of the Small Business Act, as amended (15 U.S.C. 636 (b) ).

(c) For purposes of section 10 of the Disaster Relief Act of 1966 (80 Stat. 1316), the term "financial assistance" shall be deemed to include any flood insurance which is made available under this title.

#### STATE AND LOCAL LAND USE CONTROLS

SEC. 1216. After June 30, 1970, no new flood insurance coverage shall be provided under this title in any area (or subdivision thereof) unless an appropriate public body shall have adopted permanent land use and control measures (with effective enforcement provisions) which the Secretary finds are consistent with the comprehensive criteria for land management and use under section 1261.

#### PROPERTIES IN VIOLATION OF STATE AND LOCAL LAW

SEC. 1217. No new flood insurance coverage shall be provided under this title for any property which the Secretary finds has been declared by a duly constituted State or



1 local zoning authority, or other authorized public body, to  
2 be in violation of State or local laws, regulations, or ordi-  
3 nances which are intended to discourage or otherwise restrict  
4 land development or occupancy in flood-prone areas.

5 COORDINATION WITH OTHER PROGRAMS

6 SEC. 1218. In carrying out this title, the Secretary shall  
7 consult with other departments and agencies of the Federal  
8 Government, and interstate, State, and local agencies having  
9 responsibilities for flood control, flood forecasting, and flood  
10 damage prevention, in order to assure that the programs of  
11 such agencies and the flood insurance program authorized  
12 under this title are mutually consistent.

13 ADVISORY COMMITTEE

14 SEC. 1219. (a) The Secretary shall appoint a flood  
15 insurance advisory committee without regard to the civil  
16 service laws, and such committee shall advise the Secretary  
17 in the preparation of any regulations prescribed in accordance  
18 with this title, with respect to policy matters arising in the  
19 administration of this title, and shall perform such other  
20 responsibilities as the Secretary may, from time to time,  
21 assign to such committee.

22 (b) Such committee shall consist of not more than  
23 fifteen persons and such persons shall be selected from among  
24 representatives of—

- (1) the insurance industry,
- (2) State and local governments,
- (3) lending institutions,
- (4) the home building industry, and
- (5) the general public.

(c) Members of the committee shall, while attending conferences or meetings thereof, be entitled to receive compensation at a rate fixed by the Secretary but not exceeding \$100 per day, including traveltime, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as is authorized under section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

#### INITIAL PROGRAM LIMITATION

SEC. 1220. The face amount of flood insurance coverage outstanding and in force at any one time under this title shall not exceed the sum of \$2,500,000,000.

#### REPORT TO THE PRESIDENT

SEC. 1221. The Secretary shall include a report of operations under this title in the annual report to the President for submission to the Congress required by section 8 of the Department of Housing and Urban Development Act.



1 CHAPTER II—ORGANIZATION AND ADMINISTRATION OF  
2 THE FLOOD INSURANCE PROGRAM

3 ORGANIZATION AND ADMINISTRATION

4 SEC. 1230. Following such consultation with representa-  
5 tives of the insurance industry as may be necessary, the Sec-  
6 retary shall implement the flood insurance program author-  
7 ized under chapter I in accordance with the provisions of part  
8 A of this chapter and, if a determination is made by him  
9 under section 1240, under part B of this chapter.

10 PART A—INDUSTRY PROGRAM WITH FEDERAL FINANCIAL  
11 ASSISTANCE

12 INDUSTRY FLOOD INSURANCE POOL

13 SEC. 1231. (a) The Secretary is authorized to encour-  
14 age and otherwise assist any insurance company or companies  
15 and other insurers which meet the requirements prescribed  
16 under subsection (b) to form, associate, or otherwise join  
17 together in a pool—

18 (1) in order to provide the flood insurance coverage  
19 authorized under chapter I; and

20 (2) for the purpose of assuming, on terms and  
21 conditions as may be agreed upon, such financial respon-  
22 sibility as will enable such companies and other insurers,  
23 with the Federal financial and other assistance available  
24 under this title, to assume a reasonable proportion of

responsibility for the adjustment and payment of claims for losses under the flood insurance program.

(b) In order to promote the effective administration of the flood insurance program under this part, and to assure that the objectives of this title are furthered, the Secretary is authorized to prescribe appropriate requirements for insurance companies or other insurers participating in such pool including, but not limited to, minimum requirements for capital or surplus or assets.

#### AGREEMENTS WITH FLOOD INSURANCE POOL

SEC. 1232. (a) The Secretary is authorized to enter into such agreements with any pool which is formed, associated, or otherwise created under this part, as he deems necessary to carry out the purpose of this title.

(b) Such agreements shall specify—

(1) the terms and conditions under which risk capital will be available for the adjustment and payment of claims,

(2) the terms and conditions under which such pool (and the companies or other insurers participating therein) shall participate in premiums received and profits or losses realized or sustained,

(3) the maximum amount of profit established by the Secretary under section 1212 (and prescribed in



1 regulations under section 1212 (a) ), which may be  
2 realized by such pool (and the companies or other  
3 insurers participating therein),

4 (4) the terms and conditions under which operat-  
5 ing costs and allowances prescribed under section 1212  
6 may be paid, and

7 (5) the terms and conditions under which pre-  
8 mium equalization payments under section 1234 will  
9 be made and reinsurance claims under section 1235  
10 will be paid.

11 (c) In addition, such agreements shall contain such  
12 provisions as the Secretary finds necessary to assure that—

13 (1) no company or other insurer which meets the  
14 requirements prescribed under section 1231 (b) and  
15 which has indicated an intention to participate in the  
16 flood insurance program on a risk-sharing basis, will be  
17 excluded from participating in any such pool,

18 (2) the companies or other insurers participating in  
19 such pool will take whatever action may be necessary  
20 to provide continuity of flood insurance coverage by  
21 such pool, and

22 (3) any insurance companies, other insurers, agents  
23 and brokers, and insurance adjustment organizations will  
24 be permitted to cooperate with such pool as fiscal agents

1 or otherwise, on other than a risk-sharing basis, to the  
2 maximum extent practicable.

3 JUDICIAL REVIEW

4 SEC. 1233. Such companies and other insurers which  
5 form, associate, or otherwise join together in a pool under  
6 this part may adjust and pay all claims for proved and  
7 approved losses covered by flood insurance in accordance  
8 with the provisions of this title and, upon disallowance by  
9 any such companies or other insurers of any such claim, or  
10 upon the refusal of the claimant to accept the amount allowed  
11 upon any such claim, the claimant, within one year after the  
12 date of mailing of notice of disallowance or partial disallow-  
13 ance of the claim, may institute an action on such claim  
14 against the companies or other insurers in the United States  
15 district court for the district in which the insured property  
16 or the major part thereof shall have been situated, and  
17 jurisdiction is hereby conferred upon such court to hear  
18 and determine such action without regard to the amount  
19 in controversy.

20 PREMIUM EQUALIZATION PAYMENTS

21 SEC. 1234. (a) The Secretary shall, on such terms  
22 and conditions as he may from time to time prescribe, make  
23 periodic payments to such pool as may be formed, associated,



1 or otherwise created under section 1231, in recognition of  
2 such reductions in chargeable premium rates under section  
3 1209 below estimated premium rates under section 1208  
4 (a) (1) as are required in order to make flood insurance  
5 available on reasonable terms and conditions.

6 (b) Such payments shall be based only on the aggregate  
7 amount of flood insurance retained by such pool after ceding  
8 reinsurance in accordance with the provisions of section  
9 1235, and shall not exceed an aggregate amount in any  
10 payment period equal to the sum of the following:

11 (1) (A) an amount for losses which bears the same  
12 ratio to the amount of all proved and approved claims  
13 for losses under this title during any designated period as

14 (B) the amount equal to the difference between

15 (i) the sum of all premium payments for flood  
16 insurance coverage in force under this title during  
17 such designated period which would have been pay-  
18 able during such period if all such coverage were  
19 based on estimated risk premium rates under section  
20 1208 (a) (1) (excluding any administrative ex-  
21 penses which may be reflected in such rates, as  
22 specified in clause (ii) of section 1208 (a) (1) (B),  
23 and

(ii) the sum of premium payments actually paid or payable for such insurance under this title during such period,

bears to the amount specified in clause (i) of this subparagraph; and

(2) subject to the terms and conditions specified in the agreement entered into under section 1232, a proportionate amount for appropriate operating costs and allowances prescribed under section 1212 during any designated period, which bears the same ratio to a total amount during such period as the ratio specified in paragraph (1) (B).

(c) Designated periods under this section and the methods for determining the sum of premiums paid or payable during such periods shall be established by the Secretary.

#### REINSURANCE COVERAGE

SEC. 1235. (a) The Secretary is authorized to take such action as may be necessary in order to make available to such pool as may be formed, associated, or otherwise created under section 1231, reinsurance for losses (due to claims for proved and approved losses covered by flood insurance) which are in excess of losses assumed by such pool



1 in accordance with the excess loss agreement entered into  
2 under subsection (c).

3 (b) Such reinsurance shall be made available pursuant  
4 to contract, agreement, or any other arrangement, in con-  
5 sideration of such payment of a premium, fee, or other charge  
6 as the Secretary finds necessary to cover anticipated losses  
7 and other costs of providing such reinsurance.

8 (c) The Secretary is authorized to negotiate an excess  
9 loss agreement, from time to time, under which the amount  
10 of flood insurance retained by such pool, after ceding rein-  
11 surance, shall be adequate to further the purposes of this  
12 title, consistent with the objective of maintaining appropriate  
13 financial participation and risk sharing to the maximum ex-  
14 tent practicable on the part of participating insurance com-  
15 panies and other insurers.

16 (d) All reinsurance claims for losses in excess of losses  
17 assumed by such pool shall be submitted on a portfolio basis  
18 by such pool in accordance with terms and conditions as may  
19 be established by the Secretary.

20 (e) Such pool shall make no distribution of earnings for  
21 a period of up to five years based on flood insurance pre-  
22 miums, unless the aggregate cumulative premiums, fees, or  
23 other charges established for excess loss reinsurance under  
24 subsection (b) and collected for deposit in the National

1 Flood Insurance Fund exceeds the aggregate cumulative ex-  
2 penses paid for reinsurance claims by such fund.

3           PART B—GOVERNMENT PROGRAM

4           FEDERAL OPERATION OF THE PROGRAM

5       SEC. 1240. (a) If at any time after consultation with  
6 representatives of the insurance industry, the Secretary deter-  
7 mines that operation of the flood insurance program as pro-  
8 vided under part A cannot be carried out, or that such opera-  
9 tion, in itself, would be assisted materially by the Federal  
10 Government's assumption, in whole (or in part), of the  
11 operational responsibility for flood insurance under this title  
12 (on a temporary or other basis) he shall promptly under-  
13 take any necessary arrangements to carry out the program  
14 of flood insurance authorized under chapter I through the  
15 facilities of the Federal Government, utilizing, for purposes of  
16 providing flood insurance coverage, either—

17           (1) insurance companies and other insurers, insur-  
18       ance agents and brokers, and insurance adjustment orga-  
19       nizations, as fiscal agents of the United States,

20           (2) officers and employees of the Department of  
21       Housing and Urban Development, and such other officers  
22       and employees of any executive agency (as defined in  
23       section 105 of title 5 of the United States Code) as the  
24       Secretary and the head of any such agency may, from



1       time to time, agree upon, on a reimbursement or other  
2       basis, or

3               (3) both the alternatives specified in paragraphs  
4       (1) and (2).

5       (b) Upon making the determination referred to in sub-  
6       section (a), the Secretary shall make a report to Congress  
7       of his determination to implement the program of flood in-  
8       surance authorized under chapter I through the facilities of  
9       the Federal Government. This report shall—

10              (1) state the reasons for such determination,

11              (2) be supported by pertinent findings,

12              (3) indicate the extent to which it is anticipated  
13       that the insurance industry will be utilized in providing  
14       flood insurance coverage under the program, and

15              (4) contain such recommendations as the Secretary  
16       deems advisable.

17       No action may be taken to implement this report until after  
18       it has been before the Congress for at least ninety days,  
19       during all of which time the Congress has been in session.

20                               ADJUSTMENT AND PAYMENT OF CLAIMS

21       SEC. 1241. In the event the program is carried out as  
22       provided in section 1240, the Secretary shall be authorized to  
23       adjust and make payment of any claims for proved and  
24       approved losses covered by flood insurance, and upon dis-

1 allowance by the Secretary of any such claim, or upon the  
2 refusal of the claimant to accept the amount allowed upon any  
3 such claim, the claimant, within one year after the date of  
4 mailing of notice of disallowance or partial disallowance  
5 by the Secretary, may institute an action against the Secre-  
6 tary on such claim in the United States district court for the  
7 district in which the insured property or the major part  
8 thereof shall have been situated, and jurisdiction is hereby  
9 conferred upon such court to hear and determine such action  
10 without regard to the amount in controversy.

11 PART C—PROVISIONS OF GENERAL APPLICABILITY

12 SERVICES BY INSURANCE INDUSTRY

13 SEC. 1245. (a) In administering the flood insurance  
14 program under this chapter, the Secretary is authorized to  
15 enter into any contracts, agreements, or other appropriate  
16 arrangements as may, from time to time, be necessary for the  
17 purpose of utilizing, on terms and conditions which may be  
18 agreed upon, the facilities and services of any insurance com-  
19 panies or other insurers, insurance agents and brokers, or in-  
20 surance adjustment organizations, and such contracts, agree-  
21 ments, or arrangements may also include provision for pay-  
22 ment of applicable operating costs and allowances for such  
23 facilities and services prescribed under section 1212.



1       (b) Any such contracts, agreements, or other arrange-  
2 ments may be entered into without regard to the provisions  
3 of section 3709 of the Revised Statutes, as amended (41  
4 U.S.C. 5), or any other provision of law requiring com-  
5 petitive bidding.

6       USE OF INSURANCE POOLS, COMPANIES, OR OTHER PRIVATE  
7       ORGANIZATIONS FOR CERTAIN PAYMENTS

8       SEC. 1246. (a) In order to provide for maximum effi-  
9 ciency in the administration of the flood insurance program  
10 and in order to facilitate the expeditious payment of any  
11 Federal funds under the flood insurance program authorized  
12 by this title, the Secretary may enter into contracts with  
13 any pool which may be formed, associated, or otherwise  
14 created under section 1231, or any insurance companies or  
15 other private organizations, for the purpose of securing per-  
16 formance by such pool, company, or organization of any or  
17 all of the following responsibilities:

18       (1) estimate and later determine any amounts of  
19 payments to be made;

20       (2) receive from the Secretary, disburse, and ac-  
21 count for funds in making such payments;

22       (3) make such audits of the records of any insur-  
23 ance company, other insurers, agent or broker, or in-

1 insurance adjustment organization, as may be necessary  
2 to assure that proper payments are made; and

3 (4) otherwise assist in such manner as the con-  
4 tract may provide to further the purposes of this title.

5 (b) Any contract with any pool, insurance company, or  
6 other private organization under this section may contain  
7 such terms and conditions as the Secretary finds necessary or  
8 appropriate for carrying out responsibilities under subsec-  
9 tion (a), and may provide for payment of any costs which  
10 the Secretary determines are incidental to carrying out such  
11 responsibilities which are covered by the contract.

12 (c) Any contract entered into under subsection (a)  
13 may be entered into without regard to section 3709 of the  
14 Revised Statutes (41 U.S.C. 5) or any other provision of  
15 law requiring competitive bidding.

16 (d) No such contract may be entered into with any  
17 pool, insurance company, or other private organization under  
18 this section unless the Secretary finds that it will perform  
19 its obligations under the contract efficiently and effectively,  
20 and will meet such requirements as to financial responsibility,  
21 legal authority, and other matters as he finds pertinent.

22 (e) (1) Any such contract may require such pool,  
23 company, or organization or any of its officers or employees



1 certifying payments or disbursing funds pursuant to the con-  
2 tract, or otherwise participating in carrying out the contract,  
3 to give surety bond to the United States in such amount as  
4 the Secretary may deem appropriate.

5 (2) No individual designated pursuant to a contract  
6 under this section to certify payments shall, in the absence  
7 of gross negligence or intent to defraud the United States, be  
8 liable with respect to any payments certified by him under  
9 this section.

10 (3) No officer disbursing funds shall, in the absence of  
11 gross negligence or intent to defraud the United States, be  
12 liable with respect to any payment by him under this section  
13 if it was based upon a voucher signed by an individual desig-  
14 nated to certify payments as provided in paragraph (2) of  
15 this subsection.

16 (f) Any contracts entered into under this section shall  
17 be for a term of one year, and may be made automatically  
18 renewable from term to term in the absence of notice by  
19 either party of an intention to terminate at the end of the  
20 current term; except that the Secretary may terminate any  
21 such contract at any time (after reasonable notice to the  
22 pool, company, or organization involved) if he finds that  
23 the pool, company, or organization has failed substantially  
24 to carry out the contract, or is carrying out the contract

1 in a manner inconsistent with the efficient and effective  
2 administration of the flood insurance program authorized  
3 under this title.

#### 4 SETTLEMENT AND ARBITRATION

5 SEC. 1247. (a) The Secretary is authorized to make  
6 final settlement of any claims or demands which may arise  
7 as a result of any financial transactions which he is author-  
8 ized to carry out under this chapter, and may, to assist him  
9 in making any such settlement, refer any disputes relating  
10 to such claims or demands to arbitration, with the consent  
11 of the parties concerned.

12 (b) Such arbitration shall be advisory in nature, and  
13 any award, decision, or recommendation which may be  
14 made shall become final only upon the approval of the  
15 Secretary.

#### 16 RECORDS AND AUDITS

17 SEC. 1248. (a) Any flood insurance pool formed, asso-  
18 ciated, or otherwise created under section 1231 of this title  
19 receiving financial assistance under part A of this chapter  
20 and any such pool, or insurance company or other private  
21 organization executing any contract, agreement, or other ap-  
22 propriate arrangement with the Secretary under parts B and  
23 C of this chapter shall keep such records as the Secretary  
24 shall prescribe, including records which fully disclose the



1 total costs of the program undertaken or the services being  
2 rendered, and other records as will facilitate an effective  
3 audit.

4 (b) The Secretary and the Comptroller General of the  
5 United States, or any of their duly authorized representatives,  
6 shall have access for the purpose of audit and examination to  
7 any books, documents, papers, and records of the pool, in-  
8 surance company, or other private organizations that are  
9 pertinent to the costs of the program undertaken or the  
10 services being rendered.

11 CHAPTER III—COORDINATION OF FLOOD INSURANCE  
12 WITH LAND-MANAGEMENT PROGRAMS IN FLOOD-  
13 PRONE AREAS

14 IDENTIFICATION OF FLOOD-PRONE AREAS

15 SEC. 1260. The Secretary is authorized to consult with,  
16 receive information from, and to enter into any agreements  
17 or other arrangements with the Secretaries of the Army, the  
18 Interior, Agriculture, and Commerce, the Tennessee Valley  
19 Authority, and the heads of other Federal departments or  
20 agencies (on a reimbursement basis), or the head of any  
21 State or local agency, in order that he may—

22 (1) identify and publish information with respect  
23 to all flood plain areas, including coastal areas located  
24 in the United States, which have special flood hazards,

1 within five years following the effective date of this  
2 title, and

3 (2) establish flood risk zones in all such areas, and  
4 make estimates with respect to the rates of probable  
5 flood-caused loss for the various flood risk zones for  
6 each of these areas, within fifteen years following such  
7 date.

8 CRITERIA FOR LAND MANAGEMENT AND USE

9 SEC. 1261. (a) The Secretary is authorized to carry out  
10 studies or investigations, utilizing the existing facilities and  
11 services of other Federal departments or agencies to the  
12 maximum extent practicable, and State and local govern-  
13 mental agencies, and any other organizations, with respect to  
14 the adequacy of State and local measures in flood-prone  
15 areas, as to land management and use, flood control, flood  
16 zoning, and flood damage prevention, and may enter into  
17 any contracts, agreements, or other appropriate arrangements  
18 to carry out such authority.

19 (b) Such studies and investigations shall include, but  
20 not be limited to, laws, regulations, or ordinances relating to  
21 encroachments and obstructions on stream channels and  
22 floodways, the orderly development and use of flood plains  
23 of rivers or streams, floodway encroachment lines, or flood



1 plain zoning, building codes, building permits, and subdi-  
2 vision or other building restrictions.

3 (c) On the basis of such studies and investigations, and  
4 such other information as he deems necessary, the Secre-  
5 tary from time to time shall develop comprehensive criteria  
6 designed to encourage, where necessary, the adoption of  
7 permanent State and local measures which, to the maximum  
8 extent feasible, will—

9 (1) constrict the development of land which is ex-  
10 posed to flood damage where appropriate,

11 (2) guide the development of proposed construc-  
12 tion away from locations which are threatened by flood  
13 hazards,

14 (3) assist in reducing damage caused by floods, and

15 (4) otherwise improve the long-range land man-  
16 agement and use of flood-prone areas,

17 and shall work closely with and provide any necessary tech-  
18 nical assistance to State, interstate, and local governmental  
19 agencies, to encourage the application of such criteria and  
20 the adoption and enforcement of such measures.

21 PURCHASE OF CERTAIN INSURED PROPERTIES

22 SEC. 1262. The Secretary may, when he determines that  
23 the public interest would be served thereby, enter into nego-

1 tiations with any owner of real property or interests therein  
2 which—

3 (1) was located in any flood-risk area, as deter-  
4 mined by the Secretary;

5 (2) was covered by flood insurance under the flood  
6 insurance program authorized under this title; and

7 (3) was damaged substantially beyond repair by  
8 flood;

9 and may purchase such property or interests therein, for sub-  
10 sequent transfer, by sale, lease, donation, or otherwise, to  
11 any State or local agency which enters into an agreement  
12 with the Secretary that such property shall, for a period not  
13 less than forty years following transfer, be used for only such  
14 purposes as the Secretary may, by regulation, determine to  
15 be consistent with sound land management and use in such  
16 area.

17 CHAPTER IV—APPROPRIATIONS AND MISCELLANEOUS  
18 PROVISIONS

19 STUDIES OF OTHER NATURAL DISASTERS

20 SEC. 1270. (a) The Secretary is authorized to under-  
21 take such studies as may be necessary for the purpose of de-  
22 termining the extent to which insurance protection against  
23 earthquakes or any other natural disaster perils, other than



1 flood, is not available from public or private sources, and the  
2 feasibility of such insurance protection being made available.

3 (b) Studies under this section shall be carried out, to  
4 the maximum extent practicable, with the cooperation of  
5 other Federal departments and agencies and State and local  
6 agencies, and the Secretary is authorized to consult with,  
7 receive information from, and to enter into any necessary  
8 agreements or other arrangements with such other Federal  
9 departments or agencies (on a reimbursement basis) or State  
10 and local agencies.

#### 11 PAYMENTS

12 SEC. 1271. Any payments under this title may be  
13 made (after necessary adjustment on account of previously  
14 made underpayments or overpayments) in advance or by  
15 way of reimbursement, and in such installments and on such  
16 conditions as the Secretary may determine.

#### 17 GOVERNMENT CORPORATION CONTROL ACT

18 SEC. 1272. The provisions of the Government Corpora-  
19 tion Control Act, as amended, shall apply to the program  
20 authorized under this title to the same extent as applicable  
21 to wholly owned Government corporations.

#### 22 FINALITY OF CERTAIN FINANCIAL TRANSACTIONS

23 SEC. 1273. Notwithstanding the provisions of any other  
24 law to the contrary, any—

(1) financial transaction authorized to be carried out under this title, and

(2) payment authorized to be made or to be received in connection with any such financial transaction, shall be final and conclusive upon all officers of the Government.

#### ADMINISTRATIVE EXPENSES

SEC. 1274. Any administrative expenses which may be sustained by the Federal Government in carrying out the flood insurance program authorized under this title may be paid out of appropriated funds.

#### APPROPRIATIONS

SEC. 1275. (a) There are hereby authorized to be appropriated such sums as may from time to time be necessary to carry out this title, including sums—

(1) to cover administrative expenses authorized under section 1274;

(2) to reimburse the fund established under section 1211 for—

(A) premium equalization payments under section 1234 which have been made from such fund; and

(B) reinsurance claims paid under the excess



1           loss reinsurance coverage provided under section  
2           1235; and

3           (3) to make such other payments as may be neces-  
4           sary to carry out the purposes of this title.

(b) All such funds shall be available without fiscal  
year limitation.

## 7 EFFECTIVE DATE

8        SEC. 1276. This title shall take effect one hundred and  
9    twenty days following the date of its enactment, except that  
10   the Secretary, on the basis of a finding that conditions exist  
11   necessitating the prescribing of an additional period, may  
12   prescribe a later effective date which in no event shall be  
13   more than one hundred and eighty days following such date  
14   of enactment.

## 15 TITLE XIII—INTERSTATE LAND SALES

16 SHORT TITLE

17 SEC. 1301. This title may be cited as the “Interstate  
18 Land Sales Full Disclosure Act”.

## 19 DEFINITIONS

20 SEC. 1302. For the purposes of this title, the term—

(1) "Secretary" means the Secretary of Housing  
and Urban Development;

23 (2) "person" means an individual, or an unincor-  
24 porated organization, partnership, association, corpora-  
25 tion, trust, or estate;

(3) "subdivision" means any land which is divided or proposed to be divided into fifty or more lots, whether contiguous or not, for the purpose of sale or lease as part of a common promotional plan and where subdivided land is offered for sale or lease by a single developer, or a group of developers acting in concert, and such land is contiguous or is known, designated, or advertised as a common unit or by a common name such land shall be presumed, without regard to the number of lots covered by each individual offering, as being offered for sale or lease as part of a common promotional plan;

(4) "developer" means any person who, directly or indirectly, sells or leases, or offers to sell or lease, or advertises for sale or lease any lots in a subdivision;

(5) "agent" means any person who represents, or acts for or on behalf of, a developer in selling or leasing, or offering to sell or lease, any lot or lots in a subdivision; but shall not include an attorney at law whose representation of another person consists solely of rendering legal services;

(6) "blanket encumbrance" means a trust deed, mortgage, or any other lien or encumbrance, including an option or contract to sell or a trust agreement, affecting a subdivision or affecting more than one lot offered





1       there is a residential, commercial, or industrial building,  
2       or to the sale or lease of land under a contract obligating  
3       the seller to erect such a building thereon within a pe-  
4       riod of two years;

5           (4) the sale or lease of real estate under or pur-  
6       suant to court order;

7           (5) the sale of evidences of indebtedness secured  
8       by a mortgage or deed of trust on real estate;

9           (6) the sale of securities issued by a real estate in-  
10      vestment trust;

11          (7) the sale or lease of real estate by any govern-  
12      ment or government agency;

13          (8) the sale or lease of cemetery lots;

14          (9) the sale or lease of lots to any person who  
15      acquires such lots for the purpose of engaging in the  
16      business of constructing residential, commercial, or in-  
17      dustrial buildings or for the purpose of resale or lease of  
18      such lots to persons engaged in such business.

19      (b) The Secretary may from time to time, pursuant  
20      to rules and regulations issued by him, exempt from any of  
21      the provisions of this title any subdivision or any lots in a sub-  
22      division, if he finds that the enforcement of this title with  
23      respect to such subdivision or lots is not necessary in the  
24      public interest and for the protection of purchasers by reason



1 of the small amount involved or the limited character of  
2 the public offering.

3 PROHIBITIONS RELATING TO THE SALE OR LEASE OF LOTS  
4 IN SUBDIVISIONS

5 SEC. 1304. (a) It shall be unlawful for any developer  
6 or agent, directly or indirectly, to make use of any means or  
7 instruments of transportation or communication in inter-  
8 state commerce, or of the mails—

9 (1) to sell or lease any lot in any subdivision unless  
10 a statement of record with respect to such lot is in effect  
11 in accordance with section 1307 and a printed property  
12 report, meeting the requirements of section 1308, is fur-  
13 nished to the purchaser in advance of the signing of any  
14 contract or agreement for sale or lease by the purchaser;  
15 and

16 (2) in selling or leasing, or offering to sell or lease,  
17 any lot in a subdivision—

18 (A) to employ any device, scheme, or artifice  
19 to defraud, or

20 (B) to obtain money or property by means of  
21 a misrepresentation with respect to any information  
22 included in the statement of record or the property  
23 report or with respect to any other information  
24 pertinent to the lot or the subdivision and upon  
25 which the purchaser relies, or

1 (C) to engage in any transaction, practice, or  
2 course of business which operates or would operate  
3 as a fraud or deceit upon a purchaser.

4 (b) Any contract or agreement for the purchase or  
5 leasing of a lot in a subdivision covered by this title, where  
6 the property report has not been given to the purchaser in  
7 advance or at the time of his signing, shall be voidable at  
8 the option of the purchaser. A purchaser may revoke such  
9 contract or agreement within forty-eight hours, where he has  
10 received the property report less than forty-eight hours be-  
11 fore he signed the contract or agreement, and the contract  
12 or agreement shall so provide; except that the contract or  
13 agreement may stipulate that the foregoing revocation au-  
14 thority shall not apply in the case of a purchaser who (1)  
15 has read the property report and inspected the lot to be  
16 purchased or leased in advance of signing the contract or  
17 agreement, and (2) acknowledges by his signature that he  
18 has made such inspection and has read and understood such  
19 report.

20 REGISTRATION OF SUBDIVISIONS

21 SEC. 1305. (a) A subdivision may be registered by  
22 filing with the Secretary a statement of record, meeting the  
23 requirements of this title and such rules and regulations as  
24 may be prescribed by the Secretary in furtherance of the



1 provisions of this title. A statement of record shall be deemed  
2 effective only as to the lots specified therein.

3 (b) At the time of filing a statement of record, or any  
4 amendment thereto, the developer shall pay to the Secre-  
5 tary a fee, not in excess of \$1,000, in accordance with a  
6 schedule to be fixed by the regulations of the Secretary.

7 (c) The filing with the Secretary of a statement of  
8 record, or of an amendment thereto, shall be deemed to have  
9 taken place upon the receipt thereof, accompanied by pay-  
10 ment of the fee required by subsection (b).

11 (d) The information contained in or filed with any state-  
12 ment of record shall be made available to the public under  
13 such regulations as the Secretary may prescribe and copies  
14 thereof shall be furnished to every applicant at such reason-  
15 able charge as the Secretary may prescribe.

16 INFORMATION REQUIRED IN STATEMENT OF RECORD

17 SEC. 1306. The statement of record shall contain the  
18 information and be accompanied by the documents specified  
19 hereinafter in this section—

20 (1) the name and address of each person having  
21 an interest in the lots in the subdivision to be covered  
22 by the statement of record and the extent of such  
23 interest;

24 (2) a legal description of, and a statement of the  
25 total area included in, the subdivision and a statement of

1 the topography thereof, together with a map showing  
2 the division proposed and the dimensions of the lots to be  
3 covered by the statement of record and their relation to  
4 existing streets and roads;

5 (3) a statement of the condition of the title to the  
6 land comprising the subdivision, including all encum-  
7 brances thereon;

8 (4) a statement of the general terms and condi-  
9 tions, including the range of selling prices or rents at  
10 which it is proposed to dispose of the lots in the sub-  
11 division;

12 (5) a statement of the present condition of access  
13 to the subdivision, the availability of sewage disposal  
14 facilities and other public utilities (including water, elec-  
15 tricity, gas, and telephone facilities) in the subdivision,  
16 the proximity in miles of the subdivision to nearby mu-  
17 nicipalities, and the nature of any improvements to be  
18 installed by the developer and his estimated schedule for  
19 completion;

20 (6) in the case of any subdivision or portion thereof  
21 against which there exists a blanket encumbrance, a  
22 statement of the consequences for an individual pur-  
23 chaser of a failure, by the person or persons bound, to  
24 fulfill obligations under the instrument or instruments



1       creating such encumbrance and the steps, if any, taken  
2       to protect the purchaser in such eventuality;

3               (7) (A) copy of its articles of incorporation, with all  
4       amendments thereto, if the developer is a corporation;  
5       (B) copies of all instruments by which the trust is  
6       created or declared, if the developer is a trust; (C)  
7       copies of its articles of partnership or association and  
8       all other papers pertaining to its organization, if the  
9       developer is a partnership, unincorporated association,  
10      joint stock company, or any other form of organization;  
11      and (D) if the purported holder of legal title is a person  
12      other than developer, copies of the above documents  
13      for such person;

14             (8) copies of the deed or other instrument estab-  
15      lishing title to the subdivision in the developer or other  
16      person and copies of any instrument creating a lien or  
17      encumbrance upon the title of developer or other person,  
18      or copies of the opinion or opinions of counsel in respect  
19      to the title to the subdivision in the developer or other  
20      person, or copies of the title insurance policy guarantee-  
21      ing such title;

22             (9) copies of all forms of conveyance to be used  
23      in selling or leasing lots to purchasers;

(10) copies of instruments creating easements or other restrictions;

(11) such certified and uncertified financial statements as the Secretary may require; and

(12) such other information and such other documents and certifications as the Secretary may require as being reasonably necessary or appropriate for the protection of purchasers.

TAKING EFFECT OF STATEMENTS OF RECORD AND  
AMENDMENTS THERETO

SEC. 1307. (a) Except as hereinafter provided, the effective date of a statement of record, or any amendment thereto, shall be the thirtieth day after the filing thereof or such earlier date as the Secretary may determine, having due regard to the public interest and the protection of purchasers. If any amendment to any such statement is filed prior to the effective date of the statement, the statement shall be deemed to have been filed when such amendment was filed; except that such an amendment filed with the consent of the Secretary, or filed pursuant to an order of the Secretary, shall be treated as being filed as of the date of the filing of the statement of record. When a developer records additional lands to be offered for disposition, he may consolidate the subsequent



1 statement of record with any earlier recording offering sub-  
2 divided land for disposition under the same promotional plan.  
3 At the time of consolidation the developer shall include in  
4 the consolidated statement of record any material changes in  
5 the information contained in the earlier statement.

6 (b) If it appears to the Secretary that a statement of  
7 record, or any amendment thereto, is on its face incomplete  
8 or inaccurate in any material respect, the Secretary shall so  
9 advise the developer within a reasonable time after the filing  
10 of the statement or the amendment, but prior to the date the  
11 statement or amendment would otherwise be effective. Such  
12 notification shall serve to suspend the effective date of the  
13 statement or the amendment until thirty days after the  
14 developer files such additional information as the Secretary  
15 shall require. Any developer, upon receipt of such notice,  
16 may request a hearing, and such hearing shall be held within  
17 twenty days of receipt of such request by the Secretary.

18 (c) If, at any time subsequent to the effective date of a  
19 statement of record, a change shall occur affecting any ma-  
20 terial fact required to be contained in the statement, the  
21 developer shall promptly file an amendment thereto. Upon  
22 receipt of any such amendment, the Secretary may, if he  
23 determines such action to be necessary or appropriate in the  
24 public interest or for the protection of purchasers, suspend

1 the statement of record until the amendment becomes effec-  
2 tive.

3 (d) If it appears to the Secretary at any time that a  
4 statement of record, which is in effect, includes any untrue  
5 statement of a material fact or omits to state any material  
6 fact required to be stated therein or necessary to make the  
7 statements therein not misleading, the Secretary may, after  
8 notice by personal service or by sending of confirmed tele-  
9 graphic notice, and after opportunity for hearing (at a time  
10 fixed by the Secretary) within fifteen days after such notice,  
11 issue an order suspending the statement of record. When such  
12 statement has been amended in accordance with such order,  
13 the Secretary shall so declare and thereupon the order shall  
14 cease to be effective.

15 (e) The Secretary is hereby empowered to make an  
16 examination in any case to determine whether an order  
17 should issue under subsection (d). In making such examina-  
18 tion, the Secretary or anyone designated by him shall have  
19 access to and may demand the production of any books and  
20 papers of, and may administer oaths and affirmations to and  
21 examine, the developer, any agents, or any other person, in  
22 respect of any matter relevant to the examination. If the  
23 developer or any agents shall fail to cooperate, or shall ob-



1   struct or refuse to permit the making of an examination, such  
2   conduct shall be proper ground for the issuance of an order  
3   suspending the statement of record.

4       (f) Any notice required under this section shall be sent  
5   to or served on the developer or his authorized agent.

6           INFORMATION REQUIRED IN PROPERTY REPORT

7       SEC. 1308. (a) A property report relating to the lots in  
8   a subdivision shall contain such of the information contained  
9   in the statement of record, and any amendments thereto, as  
10  the Secretary may deem necessary, but need not include the  
11  documents referred to in paragraphs (7) to (11), inclusive,  
12  of section 1306. A property report shall also contain such  
13  other information as the Secretary may by rules or regulations  
14  require as being necessary or appropriate in the public inter-  
15  est or for the protection of purchasers.

16       (b) The property report shall not be used for any  
17  promotional purposes before the statement of record becomes  
18  effective and then only if it is used in its entirety. No per-  
19  son may advertise or represent that the Secretary approves  
20  or recommends the subdivision or the sale or lease of lots  
21  therein. No portion of the property report shall be under-  
22  scored, italicized, or printed in larger or bolder type than the  
23  balance of the statement unless the Secretary requires or  
24  permits it.

## COOPERATION WITH STATE AUTHORITIES

SEC. 1309. (a) In administering this title, the Secretary shall cooperate with State authorities charged with the responsibility of regulating the sale of lots in subdivisions which are also subject to this title and may accept for filing under section 1305 and declare effective as a statement of record, if he finds such action to be appropriate in the public interest or for the protection of purchasers, material filed with and found acceptable by such authorities.

(b) Nothing in this title shall affect the jurisdiction of the real estate commission (or any agency or office performing like functions) of any State over any subdivision or any person.

## CIVIL LIABILITIES

SEC. 1310. (a) Where any part of a statement of record, when such part became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein, any person acquiring a lot in the subdivision covered by such statement of record from the developer or his agent during such period the statement remained uncorrected (unless it is proved that at the time of such acquisition he knew of such untruth or omission) may, either at law or in equity, in any court of competent jurisdiction, sue the developer.



1       (b) Any developer or agent, who sells or leases a lot  
2 in a subdivision—

3           (1) in violation of section 1304, or

4           (2) by means of a property report which contained  
5 an untrue statement of a material fact or omitted to  
6 state a material fact required to be stated therein, may  
7 be sued by the purchaser of such lot.

8       (c) The suit authorized under subsection (a) or (b)  
9 may be to recover such damages as shall represent the  
10 difference between the amount paid for the lot and the cost  
11 of any improvements thereto, and the lesser of (1) the  
12 value thereof as of the time such suit was brought, or (2)  
13 the price at which such lot shall have been disposed of in  
14 a bona fide market transaction before suit, or (3) the price  
15 at which such lot shall have been disposed of after suit in  
16 a bona fide market transaction but before judgment. In any  
17 suit under this section the court may, in its discretion, require  
18 an undertaking for the payment of the costs of such suit,  
19 including reasonable attorney's fees, and if judgment shall  
20 be rendered against a party litigant, upon the motion of the  
21 other party litigant, such costs may be assessed in favor of  
22 such party litigant (whether or not such undertaking has  
23 been required), if the court believes the suit or the defense  
24 to have been without merit, in an amount sufficient to reim-

1 burse him for the reasonable expenses incurred by him,  
2 in connection with such suit, such costs to be taxed in the  
3 manner usually provided for taxing of costs in the court in  
4 which the suit was heard.

5 (d) Every person who becomes liable to make any  
6 payment under this section may recover contribution as in  
7 cases of contract from any person who, if sued separately,  
8 would have been liable to make the same payment, unless  
9 the person who has become liable was, and the other was  
10 not, guilty of fraudulent misrepresentation.

11 (e) In no case shall the amount recoverable under this  
12 section exceed the sum of the purchase price of the lot, the  
13 cost of improvements, and reasonable court costs.

14 COURT REVIEW OF ORDERS

15 SEC. 1311. (a) Any person, aggrieved by an order or  
16 determination of the Secretary issued after a hearing, may  
17 obtain a review of such order or determination in the court of  
18 appeals of the United States, within any circuit wherein such  
19 person resides or has his principal place of business, or in the  
20 United States Court of Appeals for the District of Columbia,  
21 by filing in such court, within sixty days after the entry of  
22 such order or determination, a written petition praying that  
23 the order or determination of the Secretary be modified or



1 be set aside in whole or in part. A copy of such petition shall  
2 be forthwith transmitted by the clerk of the court to the  
3 Secretary, and thereupon the Secretary shall file in the court  
4 the record upon which the order or determination complained  
5 of was entered, as provided in section 2112 of title 28, United  
6 States Code. No objection to an order or determination of  
7 the Secretary shall be considered by the court unless such  
8 objection shall have been urged before the Secretary. The  
9 finding of the Secretary as to the facts, if supported by evi-  
10 dence, shall be conclusive. If either party shall apply to the  
11 court for leave to adduce additional evidence, and shall show  
12 to the satisfaction of the court that such additional evidence  
13 is material and that there were reasonable grounds for failure  
14 to adduce such evidence in the hearing before the Secretary,  
15 the court may order such additional evidence to be taken  
16 before the Secretary and to be adduced upon a hearing in  
17 such manner and upon such terms and conditions as to the  
18 court may seem proper. The Secretary may modify his find-  
19 ings as to the facts by reason of the additional evidence so  
20 taken, and shall file such modified or new findings, which, if  
21 supported by evidence, shall be conclusive, and his recom-  
22 mendation, if any, for the modification or setting aside of the  
23 original order. The jurisdiction of the court shall be exclusive  
24 and its judgment and decree, affirming, modifying, or setting

1 aside, in whole or in part, any order of the Secretary, shall  
2 be final, subject to review by the Supreme Court of the  
3 United States upon certiorari or certification as provided in  
4 section 1254 of title 28, United States Code.

5 (b) The commencement of proceedings under subsec-  
6 tion (a) shall not, unless specifically ordered by the court,  
7 operate as a stay of the Secretary's order.

#### 8 LIMITATION OF ACTIONS

9 SEC. 1312. No action shall be maintained to enforce any  
10 liability created under section 1310 (a) or (b) (2) unless  
11 brought within one year after the discovery of the untrue  
12 statement or the omission, or after such discovery should  
13 have been made by the exercise of reasonable diligence, or,  
14 if the action is to enforce a liability created under section  
15 1310 (b) (1), unless brought within two years after the viola-  
16 tion upon which it is based. In no event shall any such ac-  
17 tion be brought by a purchaser more than three years after  
18 the sale or lease to such purchaser.

#### 19 CONTRARY STIPULATIONS VOID

20 SEC. 1313. Any condition, stipulation, or provision bind-  
21 ing any person acquiring any lot in a subdivision to waive  
22 compliance with any provision of this title or of the rules and  
23 regulations of the Secretary shall be void.



## ADDITIONAL REMEDIES

2        SEC. 1314. The rights and remedies provided by this  
3 title shall be in addition to any and all other rights and reme-  
4 dies that may exist at law or in equity.

5 INVESTIGATIONS, INJUNCTIONS, AND PROSECUTION OF  
6 OFFENSES

7        SEC. 1315. (a) Whenever it shall appear to the Secre-  
8        tary that any person is engaged or about to engage in any  
9        acts or practices which constitute or will constitute a viola-  
10       tion of the provisions of this title, or of any rule or regula-  
11       tion prescribed pursuant thereto, he may, in his discretion,  
12       bring an action in any district court of the United States, or  
13       the United States District Court for the District of Columbia  
14       to enjoin such acts or practices, and, upon a proper showing,  
15       a permanent or temporary injunction or restraining order  
16       shall be granted without bond. The Secretary may transmit  
17       such evidence as may be available concerning such acts or  
18       practices to the Attorney General who may, in his discretion,  
19       institute the appropriate criminal proceedings under this title.

(b) The Secretary may, in his discretion, make such investigations as he deems necessary to determine whether any person has violated or is about to violate any provision of this title or any rule or regulation prescribed pursuant thereto, and may require or permit any person to file with

1 him a statement in writing, under oath or otherwise as the  
2 Secretary shall determine, as to all the facts and circum-  
3 stances concerning the matter to be investigated. The Secre-  
4 tary is authorized, in his discretion, to publish information  
5 concerning any such violations, and to investigate any facts,  
6 conditions, practices, or matters which he may deem neces-  
7 sary or proper to aid in the enforcement of the provisions  
8 of this title, in the prescribing of rules and regulations there-  
9 under, or in securing information to serve as a basis for  
10 recommending further legislation concerning the matters to  
11 which this title relates.

12 (c) For the purpose of any such investigation, or any  
13 other proceeding under this title, the Secretary, or any of-  
14 ficer designated by him, is empowered to administer oaths  
15 and affirmations, subpoena witnesses, compel their attendance,  
16 take evidence, and require the production of any books,  
17 papers, correspondence, memorandums, or other records  
18 which the Secretary deems relevant or material to the in-  
19 quiry. Such attendance of witnesses and the production of  
20 any such records may be required from any place in the  
21 United States or any State at any designated place of hearing.

22 (d) In case of contumacy by, or refusal to obey a sub-  
23 pena issued to, any person, the Secretary may invoke the  
24 aid of any court of the United States within the jurisdiction



1 of which such investigation or proceeding is carried on, or  
2 where such person resides or carries on business, in requir-  
3 ing the attendance and testimony of witnesses and the pro-  
4 duction of books, papers, correspondence, memorandums,  
5 and other records and documents. And such court may issue  
6 an order requiring such person to appear before the Sec-  
7 retary or any officer designated by the Secretary, there to  
8 produce records, if so ordered, or to give testimony touching  
9 the matter under investigation or in question; and any fail-  
10 ure to obey such order of the court may be punished by  
11 such court as a contempt thereof. All process in any such  
12 case may be served in the judicial district whereof such  
13 person is an inhabitant or wherever he may be found. Any  
14 person who shall, without just cause, fail or refuse to attend  
15 and testify or to answer any lawful inquiry or to produce  
16 books, papers, correspondence, memorandums, and other  
17 records and documents, if in his power so to do, in obedience  
18 to the subpoena of the Secretary, shall be guilty of a mis-  
19 demeanor and, upon conviction, shall be subject to a fine of  
20 not more than \$1,000 or to imprisonment for a term of not  
21 more than one year, or both.

22 (e) No person shall be excused from attending and  
23 testifying or from producing books, papers, correspondence,  
24 memorandums, and other records and documents before the

1 Secretary, or in obedience to the subpoena of the Secretary or  
2 any officer designated by him, or in any cause or proceeding  
3 instituted by the Secretary, on the ground that the testimony  
4 or evidence, documentary or otherwise, required of him may  
5 tend to incriminate him or subject him to a penalty or for-  
6 feiture; but no individual shall be prosecuted or subject to  
7 any penalty or forfeiture for or on account of any transaction,  
8 matter, or thing concerning which he is compelled, after hav-  
9 ing claimed his privilege against self-incrimination, to testify  
10 or produce evidence, documentary or otherwise, except that  
11 such individual so testifying shall not be exempt from prose-  
12 cution and punishment for perjury committed in so  
13 testifying.

#### 14 ADMINISTRATION

15 SEC. 1316. (a) The authority and responsibility for ad-  
16 ministering this title shall be in the Secretary of Housing  
17 and Urban Development who may delegate any of his func-  
18 tions, duties, and powers to employees of the Department of  
19 Housing and Urban Development or to boards of such em-  
20 ployees, including functions, duties, and powers with respect  
21 to investigating, hearing, determining, ordering, or otherwise  
22 acting as to any work, business, or matter under this title.  
23 The persons to whom such delegations are made with respect  
24 to hearing functions, duties, and powers shall be appointed



1 and shall serve in the Department in compliance with sec-  
2 tions 3105, 3344, 5362, and 7521 of title 5 of the United  
3 States Code. The Secretary shall by rule prescribe such  
4 rights of appeal from the decisions of his hearing examiners  
5 to other hearing examiners or to other officers in the Depart-  
6 ment, to boards of officers or to himself, as shall be appro-  
7 priate and in accordance with law.

8 (b) All hearings shall be public and appropriate records  
9 thereof shall be kept.

#### 10 UNLAWFUL REPRESENTATIONS

11 SEC. 1317. The fact that a statement of record with re-  
12 spect to a subdivision has been filed or is in effect shall not be  
13 deemed a finding by the Secretary that the statement of  
14 record is true and accurate on its face, or be held to mean the  
15 Secretary has in any way passed upon the merits of, or given  
16 approval to, such subdivision. It shall be unlawful to make,  
17 or cause to be made, to any prospective purchaser any repre-  
18 sentation contrary to the foregoing.

#### 19 PENALTIES

20 SEC. 1318. Any person who willfully violates any of the  
21 provisions of this title or the rules and regulations prescribed  
22 pursuant thereto, or any person who willfully, in a statement  
23 of record filed under, or in a property report issued pursuant  
24 to, this title, makes any untrue statement of a material fact

1 or omits to state any material fact required to be stated  
2 therein, shall upon conviction be fined not more than \$5,000  
3 or imprisoned not more than five years, or both.

4 RULES, REGULATIONS, AND ORDERS

5 SEC. 1319. The Secretary shall have authority from time  
6 to time to make, issue, amend, and rescind such rules and  
7 regulations and such orders as are necessary or appropriate  
8 to the exercise of the functions and powers conferred upon  
9 him elsewhere in this title. For the purpose of his rules and  
10 regulations, the Secretary may classify persons and matters  
11 within his jurisdiction and prescribe different requirements  
12 for different classes of persons or matters.

13 JURISDICTION OF OFFENSES AND SUITS

14 SEC. 1320. (a) The district courts of the United States,  
15 the United States courts of any territory, and the United  
16 States District Court for the District of Columbia shall have  
17 jurisdiction of offenses and violations under this title and  
18 under the rules and regulations prescribed by the Secretary  
19 pursuant thereto, and, concurrent with State courts, of all  
20 suits in equity and actions at law brought to enforce any  
21 liability or duty created by this title. Any such suit or action  
22 may be brought to enforce any liability or duty created by  
23 this title. Any such suit or action may be brought in the



1 district wherein the defendant is found or is an inhabitant  
2 or transacts business, or in the district where the offer or  
3 sale took place, if the defendant participated therein, and  
4 process in such cases may be served in any other district of  
5 which the defendant is an inhabitant or wherever the de-  
6 fendant may be found. Judgments and decrees so rendered  
7 shall be subject to review as provided in sections 1254 and  
8 1291 of title 28, United States Code. No case arising under  
9 this title and brought in any State court of competent juris-  
10 diction shall be removed to any court of the United States,  
11 except where the United States or any officer or employee of  
12 the United States in his official capacity is a party. No costs  
13 shall be assessed for or against the Secretary in any proceed-  
14 ing under this title brought by or against him in the Supreme  
15 Court or such other courts.

#### 16 APPROPRIATIONS

17 SEC. 1321. There are authorized to be appropriated such  
18 sums as may be necessary to carry out this title.

#### 19 EFFECTIVE DATE

20 SEC. 1322. This title shall take effect upon the expira-  
21 tion of one hundred and eighty days after the date of its  
22 enactment.

## 1        TITLE XIV—TEN-YEAR HOUSING PROGRAM

## 2                        DECLARATION OF PURPOSE

3        SEC. 1401. The Congress finds and declares that the  
4 national commitment to the goal of “a decent home and a  
5 suitable living environment for every American family”,  
6 as set forth in section 2 of the Housing Act of 1949, can  
7 be fulfilled in a ten-year period by the effective utilization,  
8 in accordance with a definite plan, of the available resources  
9 and capabilities existing in the public and private sectors of  
10 the economy. It is the purpose of this title to provide for  
11 the development of such a plan and to require periodic  
12 reporting with respect to the execution thereof.

## 13                        REPORT OUTLINING PLAN

14        SEC. 1402. Not later than January 15, 1969, the  
15 President shall make a report to the Congress setting forth  
16 a plan, to be carried out over a period of ten years (June 30,  
17 1968, to June 30, 1978), for the elimination of all substand-  
18 ard housing and the realization of the goal referred to in sec-  
19 tion 1401. Such plan shall—

20                (1) indicate the number of new or rehabilitated  
21 housing units which it is anticipated will have to be  
22 provided, with or without Government assistance, during



1       each fiscal year of the ten-year period, in order to achieve  
2       the objectives of the plan, showing the number of such  
3       units which it is anticipated will have to be provided  
4       under each of the various Federal programs designed to  
5       assist in the provision of housing;

6           (2) indicate the reduction in the number of oc-  
7       cupied substandard housing units which it is anticipated  
8       will have to occur during each fiscal year of the ten-  
9       year period in order to achieve the objectives of the plan;

10          (3) provide an estimate of the cost of carrying out  
11       the plan for each of the various Federal programs and  
12       for each fiscal year during the ten-year period to the  
13       extent that such costs will be reflected in the Federal  
14       budget;

15          (4) make recommendations with respect to any  
16       legislative action which is necessary or desirable to  
17       achieve the objectives of the plan; and

18          (5) provide such other pertinent data, estimates,  
19       and recommendations as the President deems advisable.

20       Such report shall, in addition, contain a projection of the resi-  
21       dential mortgage market needs and prospects during the com-  
22       ing year, including an estimate of the requirements with  
23       respect to the availability, need, and flow of mortgage funds  
24       (particularly in declining urban and rural areas) during such

1 year, together with such recommendations as may be deemed  
2 appropriate for encouraging the availability of such funds.

3 PERIODIC REPORTS

4 SEC. 1403. On January 15, 1970, and on each suc-  
5 ceeding year through 1978, the President shall submit to the  
6 Congress a report which shall—

7 (1) compare the results achieved during the pre-  
8 ceding fiscal year for the completion of new or reha-  
9 bilitated housing units and the reduction in occupied  
10 substandard housing with the objectives established for  
11 such year under the plan;

12 (2) if the comparison provided under clause (1)  
13 shows a failure to achieve the objectives set for such  
14 year, indicate (A) the reasons for such failure; (B)  
15 the steps being taken to achieve the objectives of the  
16 plan during each of the remaining fiscal years of the  
17 ten-year period; and (C) any necessary revision in the  
18 objectives established under the plan for each such  
19 year;

20 (3) project residential mortgage market needs  
21 and prospects for the coming calendar year including an  
22 estimate of the requirements with respect to the avail-  
23 ability, need, and flow of mortgage funds (particularly



1 in declining urban and rural areas) during such period,  
2 in order to achieve the objectives of the plan;

3 (4) provide an analysis of the monetary and fiscal  
4 policies of the Government for the coming calendar year  
5 required to achieve the objectives of the plan and the  
6 impact upon the domestic economy of achieving the  
7 plan's objectives for such period;

8 (5) make recommendations with respect to any  
9 additional legislative action which is necessary or desir-  
10 able to achieve the objectives of the plan; and

11 (6) provide such other pertinent data, estimates,  
12 and recommendations as the President deems advisable.

### 13 FINAL REPORT

14 SEC. 1404. On January 15, 1979, the President shall  
15 submit to the Congress a final report showing in detail the  
16 extent to which the objectives of the plan have been realized  
17 If such objectives have not been achieved, such report shall  
18 contain an analysis of the reasons therefor, together with  
19 such recommendations as the President deems advisable for  
20 achieving such objectives at the earliest possible date.

## 21 TITLE XV—MISCELLANEOUS

### 22 MODEL CITIES

23 SEC. 1501. (a) Section 111 (a) of the Demonstration  
24 Cities and Metropolitan Development Act of 1966 is  
25 amended by—

(1) striking out the word “and” the second time it appears; and

(2) inserting before the period at the end thereof “, and not to exceed \$12,000,000 for the fiscal year ending June 30, 1969”.

(b) Section 111 (b) of such Act is amended by—

(1) striking out the word “and” the third time it appears; and

(2) inserting before the period at the end thereof “, and not to exceed \$1,000,000,000 for the fiscal year ending on June 30, 1970”.

(c) Section 111 (c) of such Act is amended to read as follows:

“(c) Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970.”

#### URBAN RENEWAL DEMONSTRATION GRANT PROGRAM

SEC. 1502. (a) Section 314 (a) of the Housing Act of 1954 is amended by—

(1) striking out in the first sentence “to public bodies, including cities and other political subdivisions,” and inserting in lieu thereof “to public bodies (includ-



1       ing cities and other political subdivisions) and nonprofit  
2       organizations”;

3               (2) inserting after the first sentence the following:

4       “In the case of any such grant to a nonprofit organiza-  
5       tion, the Secretary shall require that the assisted activi-  
6       ties and undertakings are not inconsistent with the  
7       program of the local public agency.”; and

8               (3) striking out in the second sentence “No such  
9       grant shall exceed two-thirds of the cost, as determined  
10      or estimated by the Secretary, of such activities or  
11      undertakings,” and inserting in lieu thereof the follow-  
12      ing: “No such grant shall exceed 90 per centum of the  
13      cost, as determined or estimated by the Secretary, of  
14      the assisted activities or undertakings,”.

15      (b) Section 314 (c) of such Act is amended by striking  
16      out “\$10,000,000” and inserting in lieu thereof “\$20,-  
17      000,000.”

18      AUTHORIZATION FOR URBAN INFORMATION AND TECHNICAL  
19                      ASSISTANCE SERVICES PROGRAM

20      SEC. 1503. (a) The first sentence of section 906 of the  
21      Demonstration Cities and Metropolitan Development Act of  
22      1966 is amended by striking out “and not to exceed \$5,000,-  
23      000 for the fiscal year ending June 30, 1968” and inserting  
24      in lieu thereof “not to exceed \$5,000,000 for each of the

1 fiscal years 1968 and 1969, and not to exceed \$15,000,000  
2 for fiscal year 1970”.

3 (b) The second sentence of section 906 of such Act is  
4 amended to read as follows: “Any amounts appropriated  
5 under this section shall remain available until expended, and  
6 any amounts authorized for any fiscal year under this section  
7 but not appropriated may be appropriated for any succeeding  
8 fiscal year commencing prior to July 1, 1970.”

9     ADVANCES IN TECHNOLOGY IN HOUSING AND URBAN  
10                     DEVELOPMENT

11     SEC. 1504. (a) Section 1010 (d) of the Demonstration  
12 Cities and Metropolitan Development Act of 1966 is  
13 amended by inserting before the period at the end of the  
14 first sentence the following: “, and not to exceed such sums  
15 for subsequent fiscal years as may be necessary”.

16     (b) Section 1010 (c) of such Act is amended by strik-  
17 ing out “two years” in the second sentence and inserting in  
18 lieu thereof “four years”.

19                     COLLEGE HOUSING

20     SEC. 1505. (a) The heading of section 401 of the  
21 Housing Act of 1950 is amended by striking out “LOANS”  
22 and inserting in lieu thereof “ASSISTANCE IN THE FORM OF  
23 LOANS OR ANNUAL GRANTS”.



1       (b) Section 401 (a) of such Act is amended to read  
2 as follows:

3       “(a) To assist educational institutions in providing  
4 housing and other educational facilities for students and  
5 faculties, the Secretary may make loans of funds to such  
6 institutions for the construction of such facilities or may, as  
7 an alternative to all or part of the loan (in the case of any  
8 such institution), make annual grants to the institution to  
9 reduce the cost of its borrowing from other sources for such  
10 construction: *Provided*, That no such assistance shall be pro-  
11 vided unless (1) the educational institution involved is un-  
12 able to secure the necessary funds for the construction from  
13 other sources upon terms and conditions equally as favorable  
14 as the terms and conditions applicable to loans under this  
15 title, and (2) the Secretary finds that such construction will  
16 be undertaken in an economical manner, and that it is not or  
17 will not be of elaborate or extravagant design or materials.”

18       (c) Section 401 (c) of such Act is amended—

19               (1) by inserting “(1)” after “(c)”;

20               (2) by striking out “of (1)” and “or (2)” and  
21 inserting in lieu thereof “of (A)” and “or (B)”, respec-  
22 tively; and

23               (3) by adding at the end thereof the following new  
24 paragraph:

25       “(2) Annual grants to an educational institution with

1 respect to any housing or other educational facilities shall be  
2 made over a fixed period not exceeding 40 years, and  
3 provision for such grants shall be embodied in a contract  
4 guaranteeing their payment over such period. Each such  
5 grant shall be in an amount equal to the difference between  
6 (A) the average annual debt service which would be required  
7 to be paid, during the life of the loan, on the amount bor-  
8 rowed from other sources for the construction of such facili-  
9 ties, and (B) the average annual debt service which the  
10 institution would have been required to pay, during the  
11 life of the loan, with respect to such amounts if the applicable  
12 interest rate were the rate specified in paragraph (1):  
13 *Provided*, That the amount on which such grant is based  
14 shall be approved by the Secretary but in no event shall  
15 exceed the total development cost of the facilities.”

16 (d) Section 401 (d) of such Act is amended by insert-  
17 ing “(1)” after “(d)”, and by adding at the end thereof  
18 the following new paragraph:

19 “(2) There are hereby authorized to be appropriated  
20 to the Secretary such sums as may be necessary, together  
21 with loan principal and interest payments made by educa-  
22 tional institutions assisted with loans made hereunder, for  
23 payments on notes or other obligations issued by the Secre-  
24 tary under this section.”



1       (e) Section 401 (f) of such Act is amended to read as  
2 follows:

3       “(f) (1) There are hereby authorized to be appropri-  
4 ated to the Secretary such sums as may be necessary for the  
5 payment of annual grants to educational institutions in ac-  
6 cordance with this section.

7       “(2) Contracts for annual grants under this section shall  
8 not be entered into in an aggregate amount greater than is  
9 authorized in appropriation Acts; and in any event the total  
10 amount of annual grants which may be paid to educational  
11 institutions in any year pursuant to contracts entered into  
12 under this section shall not exceed \$10,000,000, which  
13 amount shall be increased by \$10,000,000 on July 1, 1969.”

14       (f) Section 403 of such Act is amended by striking  
15 out “the funds provided for in this title in the form of loans”  
16 and inserting in lieu thereof “the amount of the funds pro-  
17 vided for in this title in the form of loans, and not more than  
18  $12\frac{1}{2}$  per centum of the funds provided for in this title for  
19 grants,”.

20       (g) (1) Section 401 (g) of such Act is amended to  
21 read as follows:

22       “(g) Except as otherwise provided in the second para-  
23 graph of section 404 (b), in the case of any loan which is  
24 made under this section to a nonprofit student housing co-  
25 operative corporation referred to in clause (5) of section  
26 404 (b), or which is obtained from other sources by such a

1 corporation and is the subject of a contract for annual grants  
2 entered into under this section, the Secretary shall require  
3 that the note securing such loan be cosigned by the educa-  
4 tional institution (referred to in clause (1) of such section)  
5 at which such corporation is located, and that, in the event  
6 of the dissolution of such corporation, title to the housing  
7 constructed with such loan will vest in such educational  
8 institution.”

9 (2) Clause (3) (B) of section 404 (b) of such Act is  
10 amended by striking out “of any loan secured under this  
11 title” and inserting in lieu thereof the following: “of any  
12 loan which is made under section 401, or is the subject of a  
13 contract for annual grants entered into under section 401,”.

14 (3) Clause (4) of section 404 (b) of such Act is  
15 amended by striking out “to obtain loans” and inserting in  
16 lieu thereof “to obtain loans or grants”.

17 (4) The second paragraph of section 404 (b) of such  
18 Act is amended by inserting after “clause (5) of this sub-  
19 section,” the followng: “and in the case of any loan which  
20 is obtained from other sources by such a corporation and  
21 is the subject of a contract for annual grants entered into  
22 under section 401,”.

23 **FEDERAL-STATE TRAINING PROGRAMS**

24 **SEC. 1506.** (a) Title VIII of the Housing Act of 1964  
25 is amended—



1           (1) by inserting after "urban centers," in section  
2       801 (b) the following: "and with business firms and  
3       associations, labor unions, and other interested associa-  
4       tions and organizations,";

5           (2) by striking out "technical and professional  
6       people" in sections 801 (b) (1) and 802 (a) (1) and  
7       inserting in lieu thereof "technical, professional, and  
8       other persons with the capacity to master and employ  
9       such skills"; and

10          (3) by inserting after "which has responsibility  
11       for community development" in sections 801 (b) (1)  
12       and 802 (a) (1) the following: " , or by a private non-  
13       profit organization which is conducting or has responsi-  
14       bility for housing and community development pro-  
15       grams".

16          (b) Section 805 of such Act is amended by inserting  
17       "Guam, American Samoa, the Trust Territory of the Pacific  
18       Islands," after "the Commonwealth of Puerto Rico,".

19                ADDITIONAL ASSISTANT SECRETARY OF HOUSING

20                        URBAN DEVELOPMENT

21       SEC. 1507. (a) The first sentence of section 4 (a) of  
22       the Department of Housing and Urban Development Act is  
23       amended by striking out "five" and inserting in lieu thereof  
24       "six".

25          (b) Paragraph (87) of section 5315 of title 5, United

1 States Code, is amended by striking out “(4)” and inserting  
2 in lieu thereof “(6)”.

3 INTERNATIONAL HOUSING

4 SEC. 1508. Section 604 of the Housing Act of 1957 is  
5 amended to read as follows:

6 “SEC. 604. (a) The Secretary of Housing and Urban  
7 Development may exchange data relating to housing and  
8 urban planning and development with other nations and  
9 assemble such data from other nations, through participation  
10 in international conferences and other means, where such ex-  
11 change or assembly is deemed by him to be beneficial in  
12 carrying out his responsibilities under the Department of  
13 Housing and Urban Development Act or other legislation.  
14 In carrying out his responsibilities under this subsection the  
15 Secretary may—

16 “(1) pay the expenses of participation in activi-  
17 ties conducted under authority of this section including,  
18 but not limited to, the compensation, travel expense, and  
19 per diem in lieu of subsistence, of persons serving in an  
20 advisory capacity while away from their homes or reg-  
21 ular places of business in connection with attendance at  
22 international meetings and conferences, or other travel  
23 for the purpose of exchange or assembly of data relating  
24 to housing and urban planning and development; but  
25 such travel expenses shall not exceed those authorized



1 for regular officers and employees traveling in connec-  
2 tion with said activities; and

3 “(2) accept from international organizations, for-  
4 eign countries, and private nonprofit foundations, funds,  
5 services, facilities, materials, and other donations to be  
6 utilized jointly in carrying out activities under this  
7 section.

8 “(b) International programs and activities carried out  
9 by the Secretary under the authority provided in subsection  
10 (a) shall be subject to the approval of the Secretary of  
11 State for the purpose of assuring that such authority shall  
12 be exercised in a manner consistent with the foreign policy  
13 of the United States.”

14 LOW-RENT PUBLIC HOUSING—CORPORATE STATUS

15 SEC. 1509. (a) The first sentence of section 3 of the  
16 United States Housing Act of 1937 is amended by striking  
17 “a body corporate of perpetual duration to be known as”.

18 (b) Section 17 of such Act is repealed. The capital stock  
19 referred to in such section shall be retired, and the sum of  
20 \$1,000,000 represented by such stock shall be returned to  
21 the Treasury of the United States.

22 (c) Such Act is amended by adding a new section 17  
23 as follows:

1       “SEC. 17. In the performance of, and with respect to,  
2 functions, powers, and duties under this Act, the Secretary  
3 shall have (in addition to any authority otherwise vested in  
4 him) the functions, powers, and duties set forth in subsec-  
5 tions (a), (b), and (e) of section 402 of the Housing  
6 Act of 1950.”

7       (d) Section 101 of the Government Corporation Con-  
8 trol Act is amended by striking out “Federal Public Hous-  
9 ing Authority (or United States Housing Authority) and  
10 including public housing projects financed through appropri-  
11 ated funds and operations thereof;”.

12       ELIGIBILITY FOR RENT SUPPLEMENT PAYMENTS

13       SEC. 1510. Notwithstanding any other provision of law  
14 respecting the date after which a mortgage must have been  
15 approved for mortgage insurance under section 221 (d) (3),  
16 of the National Housing Act, the Secretary of Housing and  
17 Urban Development is authorized to make, and contract to  
18 make, rent supplement payments under the provisions of  
19 section 101 of the Housing and Urban Development Act of  
20 1965 to the owners of housing projects known as the 114th  
21 Street rehabilitation project and the 114th Street rehabili-  
22 tation project numbered 2, in New York City, New York,  
23 (project numbers 012-33501 and 012-33512).



1 CONSOLIDATION OF LOW-RENT PUBLIC HOUSING PROJECTS  
2 IN THE DISTRICT OF COLUMBIA

3 SEC. 1511. All projects now operated and maintained  
4 by the National Capital Housing Authority pursuant to title  
5 I of the District of Columbia Alley Dwelling Act are deemed  
6 to be low-rent housing projects and may be consolidated, pur-  
7 suant to section 15 (6) of the United States Housing Act of  
8 1937, into any contract of annual contributions covering proj-  
9 ects maintained and operated pursuant to title II of the Alley  
10 Dwelling Act.

11 URBAN RENEWAL PROJECT IN GARDEN CITY, MICHIGAN

12 SEC. 1512. Notwithstanding the date of commencement  
13 of construction of the Florence Primary School in Garden  
14 City, Michigan, local expenditures made in connection with  
15 such school shall, to the extent otherwise eligible, be counted  
16 as a local grant-in-aid toward the Cherry Hill urban renewal  
17 project (Mich. R-46) for purposes of title I of the Housing  
18 Act of 1949.

19 URBAN RENEWAL PROJECT IN SACRAMENTO, CALIFORNIA

20 SEC. 1513. Notwithstanding the date of commencement  
21 of construction of the storm drainage system in the Capitol  
22 Mall Riverfront urban renewal project (Calif. R-67) in  
23 Sacramento, California, local expenditures made in connec-  
24 tion with such storm drainage system located in that project,  
25 to the extent otherwise eligible, shall be counted as a local

1 grant-in-aid toward the Capitol Mall Riverfront urban re-  
2 newal project (Calif. R-67) for purposes of title I of the  
3 Housing Act of 1949.

#### 4 SELF-HELP STUDIES

5 SEC. 1514. (a) Section 207 of the Housing Act of 1961  
6 is amended by inserting after the words "improved means"  
7 the following: ", including the study of self-help in the con-  
8 struction, rehabilitation, and maintenance of housing for low-  
9 income persons and families and the methods of selecting,  
10 involving, and directing such persons and families in self-  
11 help activities,".

12 (b) The Secretary of Housing and Urban Development  
13 shall make a report to the Congress, within one year after  
14 the date of enactment of this Act, setting forth the results of  
15 the self-help studies and demonstrations carried out under  
16 section 207 of the Housing Act of 1961, together with such  
17 recommendations as he deems appropriate.

#### 18 EARTHQUAKE STUDY

19 SEC. 1515. Section 5 of the Southeast Hurricane Dis-  
20 aster Relief Act of 1965 is amended by striking out "three  
21 years after the appropriation of funds for this study" and  
22 inserting in lieu thereof "June 30, 1969".

#### 23 TECHNICAL AMENDMENTS

24 SEC. 1516. (a) Section 110(c) of the Housing Act of  
25 1949 is amended by striking "paragraphs (7), (8), and



1 (9)” in the second unnumbered paragraph following the  
2 numbered paragraphs and inserting in lieu thereof “para-  
3 graphs (7), (8), (9), and (10)”.

4 (b) Section 110 (d) of the Housing Act of 1949 is  
5 amended by striking out “clauses (2), (3)” and inserting in  
6 lieu thereof “clauses (2), (3), (7)”.

7 (c) Section 110 (e) of the Housing Act of 1949 is  
8 amended by striking out “and (9)” in clause (i) and insert-  
9 ing in lieu thereof “(9), and (10)”.

10 (d) Section 1101 (c) (3) of the National Housing Act  
11 is amended by inserting “from the beginning of amortiza-  
12 tion of the mortgage” immediately after “twenty-five years”.

13 (e) Section 213 (o) of the National Housing Act is  
14 amended by adding at the end thereof four new sentences  
15 as follows: “Moneys in the Cooperative Management Hous-  
16 ing Insurance Fund not needed for current operations of  
17 the fund shall be deposited with the Treasurer of the United  
18 States to the credit of the Cooperative Management Hous-  
19 ing Insurance Fund or invested in bonds or other obliga-  
20 tions of, or in bonds or other obligations guaranteed as to  
21 principal and interest by, the United States. The Secretary  
22 may, with the approval of the Secretary of the Treasury,  
23 purchase in the open market debentures which are the  
24 obligations of the Cooperative Management Housing Insur-

1   ance Fund. Such purchases shall be made at a price which  
2   will provide an investment yield of not less than the yield  
3   obtainable from other investments authorized by this sub-  
4   section. Debentures so purchased shall be canceled and not  
5   reissued.”

6       (f) Section 810 (e) of the National Housing Act is  
7   amended by—

8       (1) striking “private corporation, association, co-  
9       operative society, or trust” in the first sentence and  
10      inserting in lieu thereof “mortgagor approved by the  
11      Secretary”, and

12      (2) striking “corporation, association, cooperative  
13      society, or trust” in the third and fourth sentences and  
14      inserting in lieu thereof “mortgagor”.

15               HOME OWNERS’ LOAN ACT OF 1933

16      SEC. 1517. (a) (1) Section 5 (c) of the Home Owners’  
17   Loan Act of 1933, as amended (12 U.S.C. 1464 (c)), is  
18   amended by inserting after the first semicolon in the second  
19   proviso of the first paragraph the following: “or in time  
20   deposits, certificates, or accounts of any bank the deposits  
21   of which are insured by the Federal Deposit Insurance  
22   Corporation;”.

23      (2) The first sentence of the next to the last para-  
24   graph of section 5 (c) of such Act is amended—



1           (A) by inserting “(1)” immediately before  
2           “invest”;

3           (B) by striking out “(1)” before “secured”;

4           (C) by inserting “, now or hereafter in effect,”  
5           after “National Housing Act”; and

6           (D) by striking out all that follows “(2)” and  
7           inserting in lieu thereof the following: “acquire and hold  
8           investments in housing project loans, or interests therein,  
9           having the benefit of any guaranty under section 221  
10          of the Foreign Assistance Act of 1961, as now or here-  
11          after in effect, or loans, or interests therein, having the  
12          benefit of any guaranty under section 224 of such Act,  
13          or any commitment or agreement with respect to such  
14          loans, or interests therein, made pursuant to either of  
15          such sections.”

16          (b) Section 5 (c) of such Act is amended by inserting  
17          in the second paragraph after “property alteration, repair,  
18          or improvement” the following: “, including the construction  
19          of new structures related to residential use of the property”.

20          (c) Section 5 (c) of such Act is amended by adding  
21          at the end thereof a new paragraph as follows:

22          “Any such association may invest in loans, or interests  
23          in loans, to financial institutions, with respect to which  
24          the United States or any agency or instrumentality thereof  
25          has any function of examination or supervision, secured by

1 loans, obligations, or investments in which it has any  
2 statutory authority to invest directly.”

3 . FEDERAL HOME LOAN BANK ACT

4 SEC. 1518. Section 12 of the Federal Home Loan Bank  
5 Act, as amended (12 U.S.C. 1432), is amended by insert-  
6 ing “(a)” after “SEC. 12.”, and by adding at the end  
7 thereof a new subsection as follows:

8 “(b) Subject to such regulations as may be prescribed  
9 by the board, one or more Federal home loan banks may  
10 acquire, hold, or dispose of, in whole or in part, or facilitate  
11 such acquisition, holding, or disposition by members of any  
12 such bank of, housing project loans, or interest therein,  
13 having the benefit of any guaranty under section 221 of  
14 the Foreign Assistance Act of 1961, as now or hereafter in  
15 effect, or loans, or interests therein, having the benefit of  
16 any guaranty under section 224 of such Act, or any com-  
17 mitment or agreement with respect to such loans, or interests  
18 therein, made pursuant to either of such sections.”

19 FEDERAL RESERVE ACT

20 SEC. 1519. The third paragraph of section 24 of the  
21 Federal Reserve Act, as amended (12 U.S.C. 371), is  
22 amended by striking out “twenty-four months”, wherever it  
23 appears, and inserting in lieu thereof “thirty-six months”.



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**A BILL**

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To assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development.

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By Mr. SPARKMAN

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MAY 15 (legislative day, MAY 14), 1968

Read twice and ordered to be placed on the calendar







Senate

May 23, 1968

- 3 -

9. OPINION POLL. Rep. Heckler inserted the results of a questionnaire including items of interest to this Department. p. H4246
10. LEGISLATIVE PROGRAM. Rep. Albert announced that on Mon. the House will consider the Federal credit union bill, on Tues. State, Justice, and Commerce, the Judiciary, and related agencies appropriations bill, and on Wed. the tax-expenditure bill and the grain standards bill. p. H4229
11. ADJOURNED until Mon., May 27. p. H4247

SENATE

12. SUBSIDIES; APPROPRIATIONS. Sen. Williams, Del., inserted a list of cash payments to farmers which in 1967 exceeded \$50,000 and said that the Government could save \$600 million per year by adopting an amendment to the agricultural appropriations bill which he has submitted to the Appropriations Committee. The amendment would place a \$10,000 ceiling on the amount which could be paid to any individual farmer in any one year under the farm subsidy program. pp. S6177-88
13. RESEARCH. Received the National Academy of Sciences annual report for fiscal year 1967 (S. Doc. 57). p. S6293
14. HOUSING. Began consideration of S. 3497, to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development. p. S6293 *Proxmire submitted amdt. S6294*  
Sen. Bennett inserted a constituent's statement favoring State regulation of certain land sales. pp. S6317-18
15. TAXATION. Sen. Williams, Del., stated he hoped the practice of "backstage lobbying is stopped now, once and for all" referring to his statement that the Administration has made an effort to defeat the conference report on H. R. 15414, the excise tax bill. pp. S6275-80
16. MEAT PACKERS. Sen. Monroney inserted an Okla. Legislature resolution "requesting the Small Business Administration to cooperate in aiding the Oklahoma meat packing industry to comply with new Federal and State laws and regulations; and directing distribution." pp. S6300-1
17. APPROPRIATIONS. Sen. Burdick commended REA programs in N. Dak. and inserted tables to support increased appropriations for REA loan programs. pp. S6306-7  
Sen. Long, Mo., recommended the Senate concur in the House action in providing funds for the small watershed program and agricultural conservation program. He urged the Senate to provide funds to staff new conservation districts organized during 1969 and provide funds for the increased cost of technical assistance resulting from the July 1 pay raise to government employees. p. S6310



18. OCEANOGRAPHY. Sen. Jackson discribed a marine research project which he believes will make a contribution to progress in the field of oceanography that will far exceed its dollar costs. pp. S6312-3

Sen. Pell inserted a speech by the Secretary of the Navy on the Navy's role in oceanography. pp. S6319-20

19. TOBACCO. Sen. Bennett inserted an article "Surgeon Hits Tobacco Use." p. S6313

20. TRUTH-IN-LENDING. Sens. McGee and Dodd commended the truth-in-lending legislation as a tribute to this Administration and Sen. Dodd inserted the President's remarks upon the signing of the automobile insurance study bill. pp. S6317, S6320-1

#### EXTENSION OF REMARKS

21. FARM PROGRAM. Rep. Cederberg stated that agriculture is one of the most important industries in Mich., that 90% of the national crop of beans is produced there, and inserted the House of Representatives recipe for bean soup. p. E4546

Rep. Findley inserted letter he sent to each Member of the House opposing a one-year extension of the farm program. p. E4568

22. PATENTS. Rep. Scott expressed support for revision of copyright laws and inserted an article on this subject. pp. E4551-4

23. WATER QUALITY. Rep. Wright inserted Hollis Williams', SCS, speech, "Water Quality Management." pp. E4563-5

24. MEAT INSPECTION. Rep. Smith, Ia., said that "attempts are still being made to justify opposition to the Wholesome Meat Act of 1968." p. E4566

25. OPINION POLL. Rep. Bush inserted the results of a questionnaire including items of interest to this Department. p. E4568

26. COMMITTEEMEN. Rep. Findley inserted an editorial which raises a "serious question as to the wisdom of policies undertaken by the National Association of Farmer Elected Committeemen", and "points out that this newest of farm organizations provides USDA with a readily available political arm." pp. E4587-8

27. POULTRY INSPECTION. Rep. Rhodes, Ariz., discussed provisions of proposed bill to update and expand the Poultry Products Inspection Act. p. E4597



row, the distinguished Senator from Wyoming [Mr. HANSEN] be recognized for not to exceed 15 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MANSFIELD. I ask unanimous consent that following the remarks of the distinguished, Senator from Wyoming, the distinguished Senator from New York [Mr. JAVITS] be recognized for not to exceed 1 hour.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### HOUSING AND URBAN DEVELOPMENT ACT OF 1968

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1106, S. 3497. I do this so that the bill will become the pending business.

The PRESIDING OFFICER. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (S. 3497) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Montana.

There being no objection, the Senate proceeded to consider the bill.

Mrs. SMITH. Mr. President, in advance of the debate on the housing bill, which I understand will start tomorrow, I wish to request that the Senate be fully informed by the chairman of the Committee on Banking and Currency on what portions of S. 1592 are retained in the housing bill and what portions are not—and the reasons therefor.

I ask this as one of the 30 cosponsors of S. 1592.

#### TRANSACTION OF ROUTINE BUSINESS

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that there be a brief period for the transaction of routine business and that statements made therein be limited to 3 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### ENROLLED BILLS AND JOINT RESOLUTIONS SIGNED DURING RECESS

The PRESIDING OFFICER announced that, under authority of the order of the Senate of May 22, 1968, the Vice President, on May 22, 1968, during the recess, signed the following enrolled bills and joint resolutions, which had previously been signed by the Speaker of the House of Representatives:

S. 561. An act to authorize the appropriation of funds for Cape Hatteras National Seashore;

H.R. 15131. An act to amend the District of Columbia Police and Firemen's Salary Act of 1958 to increase salaries, and for other purposes;

H.R. 15364. An act to provide for increased participation by the United States in the Inter-American Development Bank, and for other purposes;

H.R. 15822. An act to authorize the Secretary of Agriculture to establish the Robert S.

Kerr Memorial Arboretum and Nature Center in the Ouachita National Forest in Oklahoma, and for other purposes;

H.R. 15863. An act to amend title 10, United States Code, to change the name of the Army Medical Service to the Army Medical Department;

H.R. 16409. An act to amend the District of Columbia Teachers Salary Act of 1955 to provide salary increases for teachers and school officers in the District of Columbia public schools, and for other purposes;

S.J. Res. 142. Joint resolution to provide for the reappointment of Dr. Crawford H. Greenewalt as Citizen Regent of the Board of Regents of the Smithsonian Institution;

S.J. Res. 143. Joint resolution to provide for the reappointment of Dr. Caryl P. Haskins as Citizen Regent of the Board of Regents of the Smithsonian Institution; and

S.J. Res. 144. Joint resolution to provide for the reappointment of Dr. William A. M. Burden as Citizen Regent of the Board of Regents of the Smithsonian Institution.

#### REPORT OF NATIONAL ACADEMY OF SCIENCES (S. DOC. NO. 57)

The PRESIDING OFFICER laid before the Senate a letter from the President, National Academy of Sciences, transmitting, pursuant to law, an annual report of that Academy, for the fiscal year ended June 30, 1967, which, with the accompanying report, was referred to the Committee on Labor and Public Welfare, and the report was ordered to be printed, with an illustration, as a Senate document.

#### BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. SCOTT:

S. 3533. A bill for the relief of Olga Laina; to the Committee on the Judiciary.

By Mr. MONRONEY (for himself and Mr. HARRIS):

S. 3534. A bill to designate Lock and Dam 17, being constructed on the Verdigris River, Okla., as the Chouteau Lock and Dam; to the Committee on Public Works.

(See the remarks of Mr. MONRONEY when he introduced the above bill, which appear under a separate heading.)

By Mr. McCLELLAN (for himself, Mr. MANSFIELD, and Mr. DIRKSEN) (by request):

S. 3535. A bill to authorize the exhibit and examination, within Presidential archival depositories, of certain motion-picture and other films prepared by the U.S. Information Agency; to the Committee on Foreign Relations.

By Mr. LONG of Missouri:

S. 3536. A bill for the relief of Mi Ja Rhee Park; to the Committee on the Judiciary.

S. 3537. A bill to authorize the Secretary of the Interior to study the feasibility and desirability of a Lower Meramec River National Recreation Area, in the State of Missouri, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. INOUE:

S. 3538. A bill for the relief of Nan Ching Sau; and

S. 3539. A bill for the relief of Chung Wai Hung; to the Committee on the Judiciary.

By Mr. BREWSTER:

S. 3540. A bill for the relief of Zu Tsung Su and Ping Chan; to the Committee on the Judiciary.

By Mr. JACKSON:

S. 3541. A bill for the relief of Yuda Galaxan; to the Committee on the Judiciary.

By Mr. MAGNUSON (for himself, Mr. JACKSON, Mr. PASTORE, and Mr. ALLOTT):

S. 3542. A bill to amend the Military Selective Service Act of 1967 in order to provide for the advancement in grade, for retired pay purposes, of officers of the Armed Forces who serve in the position of State director of the Selective Service System or other comparable position in the Selective Service System for a period of 15 years or longer; to the Committee on Armed Services.

#### S. 3534—INTRODUCTION OF A BILL TO NAME LOCK AND DAM 17 THE CHOUTEAU LOCK AND DAM

Mr. MONRONEY. Mr. President, lock and dam 17 on the Verdigris River in Oklahoma are an integral part of the Arkansas River navigation project. We are extremely proud of this project and of the progress of the Corps of Engineers as it works toward completion of the project in order to have navigation to the Port of Tulsa in 1970.

But there was a man who built a shipyard at the falls of the Verdigris River in 1824 for the construction of large-keel boats to transport hides and produce down the Verdigris, Ark. and Miss., to the New Orleans market. He was Col. Auguste P. Chouteau. His enterprise was commendable and certainly deserving of our respect today.

To commemorate this pioneer, the Oklahoma Legislature has memorialized Congress to name lock and dam 17 the Chouteau lock and dam. I ask unanimous consent to insert that resolution into the RECORD at this point.

It is also my privilege to introduce a bill to so name lock and dam 17, and I am happy to have Senator HARRIS join with me on the measure.

The PRESIDING OFFICER. The bill will be received and appropriately referred; and, without objection, the resolution will be printed in the RECORD.

The bill (S. 3534) to designate lock and dam 17, being constructed on the Verdigris River, Okla., as the Chouteau lock and dam, introduced by Mr. MONRONEY (for himself and Mr. HARRIS), was received, read twice by its title, and referred to the Committee on Public Works.

The resolution presented by Mr. MONRONEY is as follows:

#### RESOLUTION 586

A concurrent resolution memorializing members of the Oklahoma congressional delegation to the Congress of the United States to introduce legislation which will result in an official designation of a certain lock and dam on the Verdigris River under construction near Okay, as part of the Arkansas River navigation project, as "Chouteau Lock and Dam"; and directing distribution

Whereas, the Arkansas River Navigation Project that is presently being constructed by the Tulsa District Corps of U.S. Engineers for the purpose of barge navigation of the Verdigris, Arkansas and Mississippi Rivers, and which operation will require the construction of a number of locks and dams; and

Whereas, it requires legislation by Congress to rename a lock and dam, and Lock and Dam No. 17, four miles northwest of Okay on the Verdigris River in Wagoner County, has not yet been so designated by Congress; and



Whereas, Col. Auguste P. Chouteau built a complete shipyard at the falls of the Verdigris River near the location of this lock and dam for the construction of large keel boats to transport hides and produce down the Verdigris, Arkansas and Mississippi Rivers to the New Orleans market that reached maximum shipment early in 1824; and

Whereas, the Corps of Engineers has written a letter stating that they have no objection to such designation by Congress and feel that in considering the known history of the area that the name "Chouteau Lock and Dam" be an appropriate name.

Now, therefore, be it resolved by the House of Representatives of the second session of the thirty-first Oklahoma Legislature, the Senate concurring therein:

SECTION 1. That members of the Oklahoma Congressional Delegation introduce legislation in the Congress of the United States officially designating Lock and Dam No. 17, now under construction on the Verdigris River as a part of the Arkansas River Navigation Project, as "Chouteau Lock and Dam" to honor the family who visioned the feasibility of navigation of these streams for commercial purposes and brought it to fruition.

SEC. 2. That duly authenticated copies of this Resolution, after consideration and enrollment, shall be prepared for and sent to C. E. Chouteau, Oklahoma City, Oklahoma, and other known descendants of Jean Pierre Chouteau and Col. Auguste P. Chouteau.

#### SENATE RESOLUTION 294—RESOLUTION TO AUTHORIZE THE PRINTING OF ADDITIONAL COPIES OF PART 6 OF SENATE HEARINGS ON COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

Mr. NELSON (for Mr. SMATHERS) submitted the following resolution (S. Res. 294); which was referred to the Committee on Rules and Administration:

S. RES. 294

*Resolved*, That there be printed for the use of the Senate Select Committee on Small Business one thousand, four hundred additional copies of part 6 of hearings before the committee during the 90th Congress, first and second sessions, entitled "Competitive Problems in the Drug Industry."

#### SENATE RESOLUTION 295—RESOLUTION TO AUTHORIZE THE PRINTING OF STUDY ENTITLED "AUTOMATIC DATA PROCESSING AND THE SMALL BUSINESSMAN" AS A SENATE DOCUMENT

Mr. RANDOLPH (for Mr. SMATHERS) submitted the following resolution (S. Res. 295); which was referred to the Committee on Rules and Administration:

S. RES. 295

*Resolved*, That there be printed, with illustrations, as a Senate document a study entitled "Automatic Data Processing and the Small Businessman," prepared for the Senate Select Committee on Small Business by the Legislative Reference Service, Library of Congress; and that four thousand, five hundred additional copies of such document be printed for the use of that committee.

#### ENROLLED BILL AND JOINT RESOLUTIONS PRESENTED

The Secretary of the Senate reported that on today, May 23, 1968, he presented to the President of the United States the following enrolled bill and joint resolutions:

S. 561. An act to authorize the appropriation of funds for Cape Hatteras National Seashore;

S.J. Res. 142. Joint resolution to provide for the reappointment of Dr. Crawford H. Greenwalt as Citizen Regent of the Board of Regents of the Smithsonian Institution;

S.J. Res. 143. Joint resolution to provide for the reappointment of Dr. Caryl P. Haskins as Citizen Regent of the Board of Regents of the Smithsonian Institution; and

S.J. Res. 144. Joint resolution to provide for the reappointment of Dr. William A. M. Burden as Citizen Regent of the Board of Regents of the Smithsonian Institution.

#### PROVISION OF HOUSING FOR LOW- AND MODERATE-INCOME FAMILIES—AMENDMENTS

AMENDMENT NO. 821

Mr. PROXMIRE submitted amendments, intended to be proposed by him, to the bill (S. 3497) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development, which were ordered to lie on the table and to be printed.

#### NOTICE OF HEARINGS ON AIRCRAFT CRASH LITIGATION, S. 3305 AND S. 3306

Mr. TYDINGS. Mr. President, as chairman of the Senate Judiciary Committee's Subcommittee on Improvements in Judicial Machinery, I wish to announce a set of hearings for the consideration of S. 3305 and S. 3306. These bills would improve the judicial machinery by providing for Federal jurisdiction and a body of uniform Federal law for cases arising out of certain operations of aircraft.

The hearings will be held on June 13, 19, and 20, 1968, at 9:30 a.m. in the District of Columbia hearing room, 6226, New Senate Office Building.

Any person who wishes to testify or submit a statement for inclusion in the record should communicate as soon as possible with the Subcommittee on Improvements in Judicial Machinery, room 6306, New Senate Office Building.

#### NOTICE OF HEARINGS OF DISTRICT OF COLUMBIA BUSINESS AND COMMERCE SUBCOMMITTEE

Mr. TYDINGS. Mr. President, as chairman of the District of Columbia Subcommittee on Business and Commerce, I announce hearings on the following measures for Monday, May 27, and Tuesday, May 28, at 1:30 p.m. in room 6226:

S. 3200: District of Columbia Housing Revolving Fund Act—which will place in the custody of the District government bank accounts, insurance proceeds, and other deposits that have lain dormant for more than 7 years. The District government will be required to hold these funds for any claims made by owners, but can use the funds in the meantime.

S. 3195: District of Columbia Unclaimed Property Act—which establishes a fund to pay the cost of developing plans for housing for low- and moderate-income persons and families in the District.

Also on proposals which will give property owners, particularly in inner-

city areas, fair access to insurance protection, including the proposed District of Columbia Insurance Placement Act.

#### AN EXERCISE IN FUTILITY?

Mr. GRIFFIN. Mr. President, according to the Assistant Attorney General in charge of the Criminal Division of the Department of Justice, the work of the Senate earlier this week with respect to title II was an exercise in futility.

In an appearance before a House Judiciary Subcommittee on Wednesday, Assistant Attorney General Fred M. Vinson, Jr., was quoted as reminding Congress that "by merely legislating it cannot amend the Constitution."

Theoretically, of course, the Assistant Attorney General was absolutely correct: Congress cannot amend the Constitution by merely enacting a statute. But it would have been appropriate for him to point out also that, theoretically, the Supreme Court has no power to amend the Constitution either.

As a matter of fact, however, the Supreme Court has endeavored to amend the Constitution, and a number of its decisions have had precisely that effect.

It is not enough to say that when Members of Congress desire to amend the Constitution they should observe the procedures provided therefor in the Constitution. It is not enough, that is, without adding that when five members of the Supreme Court desire to amend the Constitution, they should observe the same procedures.

By its action on Tuesday with respect to title II of the pending bill, the Senate said in a loud, clear voice to the Supreme Court: "You were not applying the Constitution in your decisions in *Mallory*, *Miranda*, and *Wade*—you were amending the Constitution."

If the Supreme Court can reverse itself after 167 years, as it has done on points such as those dealt with in *Mallory*, *Miranda*, and *Wade*, then surely the Court, if it wishes, can take into account a clear expression by Congress at its next opportunity to review these points.

As I stated in remarks on the floor Tuesday with respect to the action taken by the Senate:

Congress may fail in this effort—to modify the *Miranda*, *Mallory*, and *Wade* decisions—when the Supreme Court reviews what we have done. Nevertheless, we are, with a clear and loud voice, giving the Supreme Court another opportunity to look at these questions—but after Congress has spoken.

On Tuesday, I was one of those who pleaded with the Senate not to take a drastic step proposed in the committee bill—the step of withdrawing appellate jurisdiction of the U.S. Supreme Court. It is noteworthy that a sizable majority of this body chose to exercise commendable restraint—at least at this point in history.

The junior Senator from Michigan and others were concerned about tampering with the delicate balance of power which is supposed to exist between the legislative and judicial branches of the Federal Government. However, it would only be realistic to observe that







# **DIGEST** of Congressional Proceedings

## OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE  
WASHINGTON, D. C. 20250  
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OFFICE OF BUDGET AND FINANCE  
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Issued May 27, 1968  
For actions of May 24, 1968  
90th-2nd; No. 90

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HIGHLIGHTS: Senate committee reported agricultural appropriation bill. Senate debated housing bill. Senate committee voted to report bill to establish nationwide system of trails. Sen. Mondale criticized Senate committee's "cutting" school lunch program funds.

### SENATE

1. APPROPRIATIONS. The Senate Appropriations Committee reported with amendments H. R. 16913, the agricultural appropriation bill (S. Rept. 1138)(p. S6342). As reported by the Committee, the bill would provide a total of \$5,536,050,300, an increase of \$12,414,800 over the House-passed figure. Attached to this Digest is a copy of the committee report showing the committee actions.



2. BUDGET. Received from the President "proposed amendments to the budget for the fiscal year 1969, in the amount of \$1.2 million for the legislative branch, \$11.1 million to carry out the fair housing provision of the 1968 Civil Rights Act, \$775 thousand for a new Commission on Mortgage Credit and Interest Rates, and \$350 thousand to permit the Council of Economic Advisers to finance the activities of the Cabinet Committee on Price Stability" (S. Doc. 80); to Appropriations Committee. p. S6341
3. RESEARCH. Passed as reported H. R. 5404, to amend the National Science Foundation Act of 1950 to make changes and improvements in the organization and operation of the Foundation. Sen. Mansfield inserted an excerpt from the committee report which stated the purpose of the bill "is to facilitate the mission of the National Science Foundation by making much-needed reforms in the organization and the operation of both the Foundation and its governing body, the National Science Board. pp. S6332-8
4. RECREATION; WATER; ROADS; ECONOMIC DEVELOPMENT. The Interior and Insular Affairs Committee voted to report (but did not actually report) S. 444, to establish the Flaming Gorge National Recreation area (amended); S. 3058, to increase authorizations for water resources planning activities (amended); S. 224, to provide for the rehabilitation of the Eklutna Dam project, Alaska (amended); S. 3073, to authorize funds to promote economic development in the Trust Territory of the Pacific Islands (amended); and S. 827, to establish a nationwide system of trails (amended). p. D479
5. WATER QUALITY. Sen. Hansen inserted the statement by Gov. Love, Colo., and the resolution on water quality standards as adopted by the western Governor's conference which calls upon Federal authorities to rescind or amend certain proposed Federal requirements regarding State pollution abatement programs. pp. S6338-41
6. PERSONNEL. Received from GAO a report of the opportunity to reduce the Federal Government's cost of medical benefits furnished Foreign Service employees overseas. p. S6341
7. LOANS. Sen. Burdick was added as a cosponsor of S. 1971, to amend the Consolidated Farmers Home Administration Act of 1961 to authorize loans to certain cooperatives serving farmers and rural residents. p. S6343
8. HOUSING. Began debate on S. 3497, the proposed Housing and Urban Development Act of 1968. pp. S6357, S6386-403, S6407-17  
Sen. Fulbright inserted the text of his bill introduced in the 89th Congress and related items which correspond to the purposes of title XIV of S. 3497, the proposed Housing and Urban Development Act of 1968, which requires the President to submit to Congress annual reports on the progress in achieving our national goal of "a decent home and a suitable living environment for every American family." pp. S6403-4
9. HEALTH; SAFETY. Sen. Metcalf inserted an article from the Catholic Standard refuting the opposition of the U. S. Chamber of Commerce to the proposed Occupational Safety and Health Act of 1968. pp. S6360-1



This year, following the same selection process, by competitive examination, I was amazed to learn that three of my appointments come from the same school—Billings West High School in Billings, Mont. The Billings school system should indeed be proud with the academic record established for their young people.

On Tuesday of this week, May 21, the three boys from Billings West High received additional honors at the annual awards assembly in the Billings West High Auditorium. I was indeed sorry that I could not participate in the ceremony as it would have been a great personal pleasure to have made the presentations to these boys in person.

The three young men are William E. Roukema, son of Mr. and Mrs. Ralph Roukema, my principal appointment to the U.S. Naval Academy at Annapolis; Richard A. White, son of Mr. and Mrs. Robert White; and Frederick McCotter III, son of Mr. and Mrs. Frederick McCotter II, both of whom accepted appointments to the U.S. Air Force Academy at Colorado Springs.

The people of Montana are very proud of these young men, as we are of all of our Academy appointments. I wish to extend my personal congratulations for a most successful career to these three boys from Billings West High School, a school with a very fine faculty and academic record and, with these three appointees, an unusual distinction. They all graduate on June 5, 1968.

Mr. RUSSELL. Mr. President, I congratulate the Senator from Montana on his State turning out so many students who have achieved this distinction.

#### HOUSING AND URBAN DEVELOPMENT ACT OF 1968

Mr. RUSSELL. Mr. President, I should like to inquire of the distinguished majority leader as to the purpose of the leadership with respect to S. 3497 and whether any action is proposed to be taken on the bill today.

I have not had an opportunity to study the bill thoroughly. But there are some provisions contained in the bill that I think are fraught with grave peril and are very dangerous to the economy of the country and certainly to the granting of justice between the several cities and States of the Union.

I have not had an opportunity to fully prepare myself on the matter. If any action is going to be taken on it today, I want to suggest the absence of a quorum to see if we have a live quorum in the city to determine these issues.

Mr. MANSFIELD. Mr. President, first let me say that there are considerably more than enough Members present to make up a live quorum, there are enough Democrats alone.

Mr. RUSSELL. Mr. President, I do not object to submitting the issue to the Democrats alone if I can have time to prepare myself.

Mr. MANSFIELD. I simply wish to indicate how well off we are, even for a Friday. It is a little unusual.

Mr. RUSSELL. It is most unusual.

Mr. MANSFIELD. The Senator knows that this measure was discussed by the policy committee, and the policy committee approved of calling it up at an appropriate time.

Mr. RUSSELL. I am not opposed to calling up the bill. That is true even as to the bills to which I am opposed. That is the purpose of the policy committee, to insure that matters of general interest to the Senate and the country are submitted to the Senate whether a Senator who happens to be a member of the committee approves of the measure or not.

I have voted on the policy committee to submit dozens of bills of which I did not approve.

Mr. MANSFIELD. Mr. President, I am delighted to see that the distinguished chairman of the Committee on Banking and Currency, the Senator from Alabama [Mr. SPARKMAN], is present in the Chamber.

May I say, for the record, that the distinguished Senator from Georgia has never to my knowledge held up any bill in the policy committee, even though he may have been opposed and expressed his views quite strongly.

Mr. RUSSELL. I thank the Senator.

Mr. MANSFIELD. Finally, the distinguished chairman of the committee the Senator from Alabama [Mr. SPARKMAN] is far better able than I to answer questions on what is the unfinished and will very soon be the pending business.

Mr. RUSSELL. Mr. President, I understood the bill had been laid down and made the unfinished business.

Mr. SPARKMAN. The Senator is correct.

Mr. RUSSELL. Mr. President, I ask the distinguished chairman of the committee who reported the bill whether he intends to proceed with voting on the measure today.

Mr. SPARKMAN. Mr. President, of course, I do not have control over that.

Mr. RUSSELL. Not altogether, but the intentions of the distinguished Senator might have a good deal to do with whether we actually vote on some of the provisions.

Mr. SPARKMAN. I do not anticipate any votes today.

Mr. RUSSELL. The Senator does not anticipate any votes today.

Mr. SPARKMAN. That is correct. There are several members of the committee who want to make preliminary statements on the measure. Therefore I do not anticipate any votes.

Mr. RUSSELL. I thank the distinguished Senator.

Mr. SPARKMAN. That is as definite as I can be.

Mr. RUSSELL. We have here a bill of large proportions that deals with any number of Government policies.

Mr. SPARKMAN. I think it is much more simple than the size indicates.

I intend in my remarks today—and I hope the Senator will read them—to give a general statement of what the bill would do and then submit for the Record a section-by-section summary of the bill.

Mr. RUSSELL. Mr. President, I am sure the Senator from Alabama, who is always most thorough in his presentation of business, will do that.

I have undertaken to look at the report of the committee which contains some clarification of the provisions of the bill, but I am still not completely convinced of the wisdom of one or two of the provisions in the bill.

Mr. SPARKMAN. I can understand that.

The bill was reported unanimously.

Mr. RUSSELL. A great deal of it consists of programs developed by the Senator from Alabama in years long gone.

Mr. SPARKMAN. The Senator is correct. Amendments to those programs account a great deal for the volume of the volume of the bill.

The bill was reported unanimously from the committee.

Mr. RUSSELL. Sometimes that is an indication of great merit in a program. At other times it is an indication of overwhelming confidence in the author of the bill, in the chairman of the committee.

Mr. SPARKMAN. I assure the Senator that is not the truth here.

Mr. RUSSELL. Mr. President, the members of a committee do not inform themselves on all occasions. There might be disagreement even with the distinguished Senator from Alabama on some of the provisions.

Mr. SPARKMAN. Mr. President, let me disabuse that thought from the mind of the distinguished Senator from Georgia.

There are 14 members of the committee, and they all participated in the makeup of the committee bill. The bill really represents 2 years' work. There is another bill on the calendar, S. 2700. That measure was placed on the calendar last fall. The bill represents S. 2700 and the program for this year.

Mr. RUSSELL. It encompasses all that is in the bill that the Senator refers to and, in addition, brings in a great many other programs.

Mr. SPARKMAN. The Senator is correct. Programs have to be renewed and extended from time to time. The bill is the result of a thorough study by all members of the committee.

Mr. RUSSELL. Mr. President, that is perhaps so. However, there are some entirely new provisions in the bill.

Mr. SPARKMAN. The Senator is correct. And I intend to explain them as we go along.

#### EMPLOYEES OF THE GOVERNMENT PRINTING OFFICE VICTIMS OF STREET CRIME

Mr. BYRD of West Virginia. Mr. President, we all know that the CONGRESSIONAL RECORD of April 5 was delayed for a period of 4 days—a situation unparalleled since the Government Printing Office began using modern equipment—because of the riots which made it impossible for GPO employees to reach their place of work, which is located at North Capitol and H Streets NW., or approximately four blocks from the seat of government itself.

Some of us may not be aware, however, that a growing wave of crime in the very shadow of the Capitol stalks the 7,800 employees of this agency as they enter and leave the GPO. In the past few days



a surge of vicious crimes in this area against GPO employees raises a very real threat that the vital functions of this important agency will be crippled or curtailed.

This problem was originally brought to my attention by Mr. Charles F. Hines, president, and other representatives of the Columbia Typographical Union No. 101, AFL-CIO, on Monday, May 20, 1968, and is set forth in some detail in a letter directed to me the following day. I ask unanimous consent that this letter be printed at this point in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

MAY 21, 1968.

DEAR SENATOR BYRD: I am Charles F. Hines, President of Columbia Typographical Union No. 101, a local of the International Typographical Union, AFL-CIO. I represent approximately 4500 printers working in the Metropolitan area of Washington, D.C. of which approximately 1800 members are employed at the United States Government Printing Office.

I sincerely appreciate the opportunity to advise you of the deplorable conditions surrounding the United States Government Printing Office today. Conditions which if not corrected immediately, will surely lead to a number of deaths due to violence by gunshot, stabbing or a severe beating. These conditions, as you are probably already aware, actually exist in the immediate vicinity of the Government Printing Office and most of Washington, D.C.

I am more irate than anything else, because it seems that the police protection in the Metropolitan area of Washington, D.C. and the Government Printing Office in particular, is not adequate enough to protect decent citizens endeavoring to go to and from work. These employees actually go to work with fear in their hearts, fear that they will be next on the list of the hoodlums who wait like wild jungle beasts, ready to pounce on their prey. Irate because all I see and read in the newspapers of this city, are excuses as to what is going to be done next week, next month or next year and excuses as to why we should not have ill feelings in our hearts for the poor underprivileged person or persons who just robbed and beat you on the streets, while are on your way to work, or on your way home.

I cannot blame the Public Printer, Mr. Harrison, or any of his assistants, because they tell us that they are not getting as much response with their requests for more protection as they would like. The Police Department is hamstrung with a lack of manpower and of course their answers to the Public Printer are that they just do not have the men available to do this proper job.

The Vice President of our local, Mr. Donald Taylor, has worked long and hard in past years trying to get better protection and actually has succeeded in getting as much as the Police Captain of the First Precinct could possibly give. The Captain has his limits also and is hamstrung by lack of help and authority for his men to act.

At one time we had police with dogs patrolling the area and they were doing a reasonable job when suddenly some groups cried out that this was police brutality and the dogs disappeared. We were very fortunate though, because the right approach was made and the dogs were put back with the patrolmen on their beats. The only problem here is not enough of the patrolmen and their dogs and then if the hoodlums do get caught, the courts let them free to repeat what they did before.

I wonder sometime why it is when decent

taxpaying citizens get caught for a traffic violation, they never get handled in the same manner. It always costs us because we are supposed to know better.

Every night in the week, tires get slashed and stolen, batteries stolen and in some cases, the car itself, disappears. The Insurance Companies are getting fed up to the teeth and some companies will not insure people living and working in these areas.

I am enclosing a memorandum issued at the G.P.O., in which all men were asked to walk in groups for their protection—this only makes it more convenient for the thugs and hoodlums to hold us up and get a bigger haul. Just last night three of our men going home together at 1:00 a.m. were held-up at gunpoint and robbed of their wallets, watches and anything of value.

The wife of one of our members who was going to the Personnel Office of the GPO for her husband, at 10:00 a.m., in broad daylight, was jumped on at North Capitol Street and beaten and robbed. I believe they also fractured her shoulder and she was left severely bruised.

We have rules and regulations at the GPO forbidding the carrying of guns or concealed weapons into the building and I am not kidding you when I tell you that some of the employees at the GPO look like something out of the old western days. Many carry weapons because they fear for their lives. This is a very unhealthy condition and could, some night, set off a riot in the streets. I do not condone this but I do not blame these men one bit for doing it.

Some of our members have fought for this country in two wars and have come through unscathed and I don't think it is just for these men to have to be fearful for their lives when they are trying to earn a livelihood. These men tell me if something is not done soon that the GPO will suffer because of lack of help due to the fact that they will quit their jobs rather than risk life or limb.

We just finished negotiating for a raise in pay for these men at the GPO, now we are literally negotiating for their safety and their lives. I would like to have some of the bleeding hearts in our society come down and walk the streets with us, going to and from work with our members and to see how they appreciate being molested and robbed or having their cars wrecked or parts stolen off of them constantly. We should send a few of our top officials down there also, particularly the ones who are so full of love for their fellowmen and who are only fooling the public with their oratory. They say we need more laws—I do not agree, we need only enforce the laws presently on the books—laws for everybody, every color, every creed, but on the same equal basis of justice for all and laws that are enforced by the Courts equally for all races, majorities or minorities.

In a speech by the President of the United States, sometime back, he encouraged all Americans to put their shoulders to the wheel and take up their places of responsibility beginning with the home, the community and in every walk of life. I agree and I think we should. We should start right up on Capitol Hill and in the Courts by ending the coddling of these thugs and hoodlums in the District of Columbia and in our nation.

I say—give the law enforcement agency back their powers; give us some protection or gentlemen don't come crying to the Union leadership at the GPO because some day the Government's printing doesn't get out on time. Our men are fed up and disgusted with the lack of effort by people who were hired or elected to represent them.

You ask for suggestions, I have one big one. Federal troops—like during the Civil War or during our last civil disturbances, except

this time, load the guns and use them if necessary. There is a definite, urgent need for some large constantly patrolled area for GPO employees to park their cars in. Plenty of lights and adequate patrolmen. This parking area can be either underground or fence enclosed and by permit only.

Thank you for your courtesy and cooperation on this matter.

I sincerely hope that our request will not fall on deaf ears and I am sure it will not.

Sincerely yours,

CHARLES F. HINES,  
President, Columbia Typographical  
Union #101 (AFL-CIO).

OCTOBER, 24, 1966.

Subject: Self-protection.

To all Employees:

In recent weeks a number of GPO employees have been assaulted and robbed in the area adjacent to the Office. These assaults have taken place notwithstanding an extended effort on the part of the Captain and police officers of Precinct No. 1 to maintain law and order in the neighborhood.

It is incumbent upon each and every one of us to take reasonable measures for our own self-protection. A prudent employee will consider the following:

1. Employees who report for duty or leave the office after daylight should try wherever possible to move in groups of employees. It is not wise for an employee to walk streets alone after dark.

2. Employees should consider using the commercial parking lots, located near the office, and in no cases should they park in alleys, dark side streets, and isolated areas.

3. Employees should not walk down alleys or narrow passageways at any time.

4. Employees should give serious consideration to eating inside the building during the second and third shifts.

5. Employees should lock their cars and should not leave valuables in their cars.

It is not possible to guarantee that an employee taking the precautions listed above will be free of violence, but the steps will reduce to a minimum injury and property loss.

This office and your local police department will continue to take every reasonable step to ensure your safety.

PUBLIC PRINTER.

Mr. BYRD of West Virginia. At the time of Mr. Hines' original contact he was told by one of my aides that many Members of Congress, including myself, shared the concern of GPO employees and other citizens of the District of Columbia who were daily confronted with the growing crime wave and who have every reason to be fearful as they go to and from work in certain areas of this city. He was also advised, however, that the legislative branch had no authority whatsoever to enforce the law and he was strongly urged to seek the protection needed by GPO employees from the executive branch of the Government.

Acting on this suggestion, Mr. Hines sent a telegram on May 21 to the President of the United States, the Attorney General, Mayor Walter E. Washington, and others, seeking immediate augmentation of police patrols in the vicinity of the GPO in order to alleviate the apprehension and fear pervading employees of this important agency as they go about their work. I ask unanimous consent that this telegram be printed at this point in the RECORD.

There being no objection, the telegram was ordered to be printed in the RECORD, as follows:



**"CITY MANAGER" CALLED**

During the disturbance, Wiley placed a call to the Rev. Jesse Jackson, "city manager" of Resurrection City, who hurried from the camp to the arrest scene.

There he talked with Powell, who afterward agreed to let the rest of the crowd disperse without making further arrests. Mr. Jackson said later he had told Powell it would be wise to permit the others to leave, lest "he find himself with 3000 people down here."

Others on the scene to confer with police and the protest leaders were Rep. William F. Ryan (D-N.Y.) and Stephen J. Pollack, assistant attorney general in charge of the Civil Rights Division.

Rep. Mills who was at the Capitol the entire time, said the protesters "sent me a telegram Friday demanding that they be heard by my Committee."

"If the leaders want to see me all they have to do is ask, but no one told me today that they wanted to see me," Mills said. He added:

"I don't answer demands. And I don't convene the Committee on anyone's demand, not even the President's."

**CALLS MILLS "RACIST"**

Wiley afterward described Mills as a "racist" because of his support of a welfare amendment that would freeze the Federal Government's contribution to state welfare programs.

Wiley said Mills "has been putting it to black people for 30 years with bad welfare legislation and keeping us in a kind of slavery."

Wiley also told the women in his group they had won "a great victory" and that their presence had shed "light on that rat hole where Wilbur Mills does his dirty work."

After the arrests, Mr. Jackson led his group to the Rayburn Building, where they held a mass meeting in a hearing room, the use of which was arranged by Rep. Richard L. Ottinger (D-N.Y.). They returned to the camp after the meeting.

Two women had to be carried from the intensely emotional meeting at Rayburn auditorium, one who fainted and the other when she experienced a screaming fit.

Mrs. Etta Horn of Wiley's group said the woman "is only the first of many mothers who will cry out in anguish at the hideousness of this country."

Mr. Jackson said the new welfare amendments raise fears that mothers would lose their children because they were born out of wedlock. This, he said, "is something that touches close."

The 26-year-old minister, a native of Greenville, S.C., then told his hushed and moved audience of the circumstances of his own birth.

"I was born illegally, but not illegitimately . . . God placed his hand on me—and I am somebody," he said. The women, several in tears, burst into applause and one cried, "Keep him, God, keep him in Your care."

Freeman's announcement was made at a meeting with Mr. Abernathy and 200 of his followers, who made clear they felt the Agriculture Secretary could have taken much firmer action.

At one point, Mr. Abernathy asked him, "How many babies will have to die before you exercise the full power and authority at your command?"

The House-Senate group formed to aid the marchers in presenting their program was formed by a quartet composed of Sen. Brooke, Sen. Philip A. Hart (D-Mich.), and Reps. Ogden Reid (D-N.Y.) and Charles C. Diggs (D-Mich.). The latter three were named co-chairmen.

Sen. Brooke, who is chairman of the bipartisan group, said in making the announcement that the arrests were the kind of situation "we hope to be able to avoid."

Several members joined Brooke in cautioning the protesters against actions that could disturb the functioning of Government.

**STAY WITHIN LAW**

"We are against violence and disruption," said Brooke, adding that "We are not opposed to peaceful demonstrations within the confines of law."

Brooke noted that the committee does not have any official status, but said it has the approval of the majority and minority leaders of both Houses of Congress.

Members of the committee are:

Reps. William A. Barrett (D-Pa.), Frank J. Brasco (D-N.Y.), Edward P. Boland (D-Mass.), Jeffery Cohelan (D-Calif.), James C. Corman (D-Calif.), Diggs, Augustus F. Hawkins (D-Calif.), Patsy T. Mink (D-Hawaii), Robert N. C. Nix (D-Pa.), James G. O'Hara (D-Mich.), Carl D. Perkins (D-Ky.), John B. Anderson (R-Ill.), Silvio O. Conte (R-Mass.), William M. McCulloch (R-Ohio), Thomas J. Meskill (R-Conn.), Albert H. Quie (R-Minn.), Reid, Fred Schwengel (R-Iowa), Garner E. Shriver (R-Kansas), and William B. Widnall (R-N.J.); Sens. Joseph S. Clark (D-Pa.), Fred R. Harris (D-Okla.), Hart, Edmund S. Muskie (D-Maine), William Proxmire (D-Wis.), Brooke, John Sherman Cooper (R-Ky.), Jacob K. Javits (R-N.Y.), Charles H. Percy (R-Ill.), and Hugh Scott (R-Pa.).

**ORIGINATED IN CALIFORNIA**

The members of the Western caravan arrived in 18 buses at 5:30 p.m. at the Bradley Hills Presbyterian Church, 6601 Bradley Blvd., Bethesda, where they stayed briefly before dispersing to their overnight accommodations.

The caravan originated in the slums of Los Angeles and San Francisco and picked up other participants in Colorado, Arizona, Kansas, New Mexico, and Missouri. It has been on the road to Washington for four days.

Yesterday's announcement by Agriculture Secretary Freeman will mean the addition of six new commodities to the list of 15 foodstuffs now distributed free to the needy.

The additions are instant mashed potatoes, hot cereal, canned chicken, fruit juice, dried eggs and evaporated milk.

Freeman said these would be "major additions" to the usual diet of the poor, and that in some cases the foods would be fortified with iron to make up a notable deficiency in their menu.

An aide said the mashed potatoes were already being made available and the other items would be ready for distribution in one to three months.

The present list of commodities includes cheese, corn meal, flour, lard, canned meat, milk, rolled oats, peanut butter, raisins, rice and rolled wheat.

**POLICEMEN WHO CARED**

SIR: On May 12, while the Mother's Day March was going on down near Cardozo High School, I had an emergency. My eight-year-old son had to be rushed to Children's Hospital for possible appendicitis.

My son was staying at his grandmother's house. She called me to come and get him. I live in Landover, Md.

When I called my doctor he told me to rush him to Children's Hospital. So I rushed over and picked him up, was headed down 13th Street toward Children's Hospital. When at 13th and Harvard Streets I was told to turn right. I told the policeman that I had an emergency and what it was, but he told me to go on and he couldn't help me. At the next intersection the same thing, and so on.

I kept going in the direction I was told to go until I was somewhere in Washington that was unfamiliar. Finally, I saw a police wagon. I told the policemen what had happened and what the other policemen had told me. They gave me an escort to Children's.

I would like to thank those two officers in Wagon 13 very much.

I think that when people have emergencies like the one I had, they should be let through. I wasn't going to bother those marchers. All I wanted to do was get my child to the hospital. Maybe someone should think about it, and have an emergency route to hospitals ready for such cases.

What would have happened if some person had died while being rushed to some hospital? How would someone feel? I would feel pretty bad.

Mrs. NINA COLE.

LANDOVER HILLS, Md.

**DISTRICT OF COLUMBIA CURFEW ON YOUTH IS REQUESTED**

(By Ronald Sarro)

The D.C. Federation of Civic Associations, Inc., has asked Mayor Walter E. Washington to ban teen-agers from the District's streets at night in an effort to keep them out of trouble and promote safe streets.

The proposal was one of seven formal recommendations made by the predominantly Negro federation during a meeting with the mayor late yesterday.

Federation president Edward J. MacClane said after the hour-and-15-minute meeting that the group has no specific plans for prohibiting youths from being out at night. MacClane said he believed youths should be required to be off the streets by 9 or 10 p.m.

"There is strong support among federation members for a curfew in the District for teen-agers," MacClane said in the list of proposals given the mayor.

Mayor Washington said he would give serious consideration to all recommendations of the federation, which included a plea that the civic associations be directly involved in the rebuilding of the riot devastated areas of the city. The mayor asked the federation for specific ideas.

The federation's proposals also included a call for more effective cleaning of streets and alleys and an end to "the over concentration" of liquor stores in low-income areas.

The federation voiced its strong support for Public Safety Director Patrick V. Murphy and for the police department. But it added that there is an "immediate urgency" for District employees, particularly policemen and firemen who recently received salary increases, to be required to live within the city limits.

The federation also expressed its support for an effort to reduce traffic deaths, adding that more Negroes should be appointed as officials in this program and expressed grave concern over the city's financial condition.

On the latter point, the federation said destruction of many businesses and loss of a large amount of tourist business would affect every District resident.

**MILITANTS CALLED "ABSURD"**

(By Sarah Booth Conroy)

The "militants of the absurd" are threatening to trample under the successful people of the Negro community, a professional sorority of Negro beauty shop owners and operators was told yesterday by D.C. Board of Education member Dr. Benjamin H. Alexander.

The chemist with the National Institute of Health, where he is grant associate with the Division of Research, spoke to the Pi Omicron Rho Omega Sorority at a Statler Hilton Hotel luncheon honoring Mayor Walter E. Washington, who received the group's annual award.

"The time is almost noon," said Dr. Alexander. "A showdown must come in this city between those who believe in violence and guerrilla warfare—and those who do not."

"Your very rise to your present status in this community puts you ladies in a select circle—and you must use this to your ad-



vantage, or risk the danger of being trampled under the surge of unthinking feet—excited forward by careless power manipulators, people whom I call 'militants of the absurd.'"

The 47-year-old Negro leader said he was going to "talk openly about the main subject of private conservations since the trouble in D.C. I refuse to be 'chicken' and keep my thoughts in secret half-whispered discussions."

"Let me tell it like it is. During the past winter a young brown-skinned man (an obvious reference to militant Stokeley Carmichael), after a hate America trip around the world, came to live in Washington, D.C. . . . and in only a short time has really shown us oldsters how to take over a city."

"He 'jived' many black leaders of many responsible Negro organizations in this town, even some of the sweet old ladies at church."

"He's sympathized with our D.C. leaders' frustrations, he inflamed their resentments—but more importantly, he played up to their egos. Then all were invited to a secret meeting. And publicly our leaders nodded agreement to his plan to join forces and consented to take titles of offices and to serve on black only committees."

Dr. Alexander asked where the militant leaders were "when the time came."

"None to my knowledge were seen doing the violent acts that they had earlier urged on their poor black brothers."

"The D.C. disturbance was a criminal action and not a riot, Dr. Alexander said, because 'the few percentage of blacks who took part put their sights more on what they saw in store windows than on what Dr. Martin L. King Jr. taught, lived and died for.'"

Challenging the argument that only violence seems to frighten the power structure into turning more attention to the poor, Dr. Alexander said:

"This city or nation cannot allow the poor to believe that it is necessary to burn a slum house, the corner grocery store or clothing store to make Congress and the American public aware that existing hunger in rat and roach-infested quarters is hell."

Dr. Alexander spoke out against a racial split—"the only blacks that I know of who really want segregation are those who can't cut the mustard in an integrated society"—but he urged that Negro men pool their money to own stores, banks, hotels.

"We have been dallying with the white man for years, but we can't fool him any more because he has woke up and gone and given us our civil rights. Now we must seek justice—not generosity, not benevolence, not pity, not sympathy or handouts."

#### CONCLUSION OF MORNING BUSINESS

Mr. MANSFIELD. Mr. President, is there further morning business?

The PRESIDING OFFICER. Is there further morning business? If not, morning business is concluded.

#### HOUSING AND URBAN DEVELOPMENT ACT OF 1968

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of the unfinished business.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The ASSISTANT LEGISLATIVE CLERK. A bill (S. 3497) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. SPARKMAN. Mr. President, before we commence the debate on the Housing and Urban Development Act of 1968, S. 3497, I wish to make a brief comment.

As chairman of the Banking and Currency Committee and also the Subcommittee on Housing and Urban Affairs, I wish to express my appreciation to the members of the committee as well as to the members of the subcommittee for their cooperation and help in bringing S. 3497 to the floor of the Senate. In this connection, Mr. President, I express my gratitude to the members of the committee and the subcommittee for the wonderful cooperation they gave throughout the weeks—literally, throughout the months—in considering this bill. I also wish to express my appreciation and that of the members of both the committee and subcommittee to the staffs of the full committee and the subcommittee, as well as to the Senate legislative counsel's office; namely, Mr. John Reynolds—for the vast amount of work they did in the preparation of S. 3497 as well as in the preparation of Senate Report No. 1123 to accompany the bill.

I believe I can truthfully say that S. 3497 is the most comprehensive housing and urban development bill our committee has ever presented to the Senate. The bill has 15 titles, with numerous sections and subsections, which, on the one hand, establish several new housing and urban development programs and, on the other hand, contain provisions amending the majority of housing and urban development laws on the statute books today.

Mr. President, S. 3497 is not a bill which the committee "dreamed up" overnight. Quite to the contrary, S. 3497 represents a two-session effort on the part of the committee. Senators will recall that, after some 4½ months of deliberation during the first session of the 90th Congress, the committee reported on November 28, 1967, the proposed Housing and Urban Development Act of 1967—that is, S. 2700. Congress, however, adjourned before S. 2700 could be considered. As a matter of fact, S. 2700 is still pending on the Senate Calendar, although it has now been outdated by S. 3497, the bill which we commence to debate today.

Rather than proceeding to consider S. 2700 early in the second session of the Congress, the decision was made that we should hold that bill in abeyance until the administration submitted its proposals for 1968 housing and urban development legislation.

On February 26, 1968, the President submitted to the Congress a message on housing and cities. Accompanying the message were the administration's legislative proposals designed to implement the President's message.

The administration's proposed Housing and Urban Development Act of 1968 contained a majority of the basic ideas that were included in S. 2700. Therefore, the committee used S. 2700 as the basis for drafting the committee bill we have

before us today. One might say, then, that the committee has now spent some 8 months in bringing S. 3497 to the Senate.

Mr. President, with the enactment of the National Housing Act of 1934, the United States Housing Act of 1937, the Housing Acts of 1949, of 1954, of 1961, the Housing and Urban Development Act of 1965, and the Demonstration Cities and Metropolitan Development Act of 1966, plus other measures, the Congress has provided many tools with which the American people have been able to obtain decent, safe, and adequate housing. These acts have also provided ways and means by which our cities, towns, and communities have been able and are now able to fight blight, slums, and urban decay.

It must be remembered, however, that these acts taken as a whole, were never intended to be the complete answer—the sole solution—to our national housing problems nor to the multiplicity of problems we now find facing our cities. At best, these acts were intended to encourage and contribute to private enterprise and public efforts and initiative toward helping our people to achieve the goal expressed in the policy of the Housing Act of 1949, which is "a decent home and suitable living environment for every American family."

Mr. President (Mr. GORE in the chair), I shall digress long enough to say that that housing policy was written into the act of 1949. At the time it was known as the Taft-Ellender-Wagner Act. It was under the guidance and leadership of those three distinguished pioneers in the field of adequate housing that the goal I have just quoted was established—that there should be the opportunity to aspire to and hope for "a decent home and suitable living environment for every American family." Of course, Senator Taft and Senator Wagner are no longer with us, but the distinguished Senator from Louisiana [Mr. ELLENDER], who was the other member of that famous trio, is still one of our most active Senators and one of our most active supporters of safe, sanitary, and decent housing.

Under these acts, a great deal has been achieved. Literally millions of families have been able to obtain decent places in which to live commensurate with their needs and at prices they are able to pay. In fact, the FHA and VA housing programs alone have aided some 17 million families to obtain decent housing. Several thousand cities, towns and communities have been helped to rid themselves of their worst slums and blight and have thus become better places in which to work, play, worship, and live. One of the most notable achievements has been the development of a mortgage insurance system with a Government guarantee and a backup secondary mortgage market facility, the results of which have largely been responsible for the rising homeownership among the American people so that today more than two-thirds own their own homes.

However, from time to time serious gaps have been noted in these acts. As time went on, it was realized that many programs provided by these measures have not reached down far enough to



help those who need housing the most. Also, urban development programs were sometimes found lacking in the type of Federal support and assistance that was needed at the local level to meet the fast changing housing and urban development problems of the cities. Each time these gaps have been found or recognized, steps have been taken to close them with either new or amended legislation.

Let me make it clear, however, that while much success has been achieved over the last 35 years, this Nation still has a long way to go in meeting total housing and urban development needs. In the first place, our previous efforts have never been fully effective relative to the needs of the lower income people and, secondly, changing economic and social conditions have aggravated and worsened the urban housing problem so that, despite existing programs, many inner city areas have deteriorated at a faster rate than ever before.

The housing needs of the American people and the needs of the Nation's cities, towns, and communities are not something that can be defined, once and for all time, at any given period. These are ever-increasing needs of the low- and moderate-income American family which must be faced almost on a day-by-day basis. What appeared to be a satisfactory solution to yesterday's problem will be unacceptable today. On the reverse side of the coin, it must be realized by all concerned that these are needs that cannot be met on an overnight basis; fiscal and physical capabilities are just not at hand to bring about an immediate solution to all these problems.

Mr. President, the President's housing and cities message proposed a far-reaching goal to meet a massive national need—a program of Federal assistance for the construction and rehabilitation of 6 million housing units over a 10-year period for the low- and moderate-income families of this country. Such a program would replace the substandard units in which it is estimated more than 20 million Americans still live.

The President's 1968 proposals for housing legislation called for an initial 5-year program aimed at achieving the 10-year goal of the message. The committee certainly agrees that the President's 10-year goals are very admirable and are necessary and the committee believes that these goals can be attained. In order to do this, the committee is recommending stepped-up activity under existing programs, as well as proposing new programs to fill the gaps apparent under existing programs. These programs would be funded at levels to get a good start toward the 10-year goal. However, the committee did not agree with the administration's proposed 5-year program. It believes that another look should be taken at the progress of the new programs and current conditions after several years of experience and that a 3-year period would be more appropriate.

I would like now to describe in very general terms the major highlights and proposals contained in the committee bill.

#### TITLE I—LOWER INCOME HOUSING

One of the most important titles to this bill is title I which contains important new provisions to help lower income families become homeowners. There are nine sections to this title, the provisions of which are varied but all are aimed at meeting a real need in our economy, that is, making it possible for lower income families to obtain decent housing through homeownership. This matter was first considered last year and finally, after numerous conferences and consultations, the committee has brought forth a package of legislative provisions which we confidently believe, once they are implemented, will represent another milestone in Federal assistance toward helping lower income families of this Nation.

Under existing law, the FHA and VA programs are very effective in helping families of moderate income obtain decent housing through homeownership. In fact, over the years, the laws have been gradually liberalized so that today we can proudly say that we are truly a nation of homeowners, largely because of the contribution made by FHA and VA.

However, as construction costs have gone up and interest rates have risen to unprecedented heights, it has become more and more difficult for families of low and moderate income to afford to buy a home of their own.

Section 101 of this title is intended to remedy this difficulty. Under this section, the Federal Government would help reduce the housing load on the family by paying all but 1 percent of the interest charges to finance the mortgage loan. To make it fair for all, only lower income families would be eligible and each family would pay 20 percent of its income for housing costs. Lower income families are defined as those whose incomes do not exceed 70 percent of the income ceilings established by the Secretary for a particular area in administering the FHA below market interest rate program under section 221(d)(3). This income ceiling would vary from area to area but, in general, it would be at the level of about the lowest one-third of families on the income scale in any particular area. In my home city of Huntsville, Ala., the income ceiling for families of five and six persons would be \$4,900 per year. To permit flexibility and to make the program more workable, some few families with incomes above this could qualify also but, in no instance, could more than 20 percent of the contracted funds be used for families above this basic ceiling.

The committee also recommended an allowance of \$300 per minor child be made in determining eligibility under the income ceilings and in determining the minimum payment the family should pay on its own before Federal subsidy. Considering the cost of raising a family these days, this is nothing more than an effort to be fair and equitable for families with children.

Another feature of the interest subsidy provision for homeownership is the limitation on the maximum mortgage amount. In general, it would be limited to \$15,000 but, in high cost areas, it could go to \$17,500. These ceiling amounts could be raised to \$17,500 and \$20,000,

respectively, for a family with five or more persons.

Authority to enter into assistance payments contracts as approved in appropriation acts is limited to \$75 million for fiscal year 1969, \$100 million for fiscal year 1970 and \$125 million for fiscal year 1971. This authority could result in contracts for assistance payments for a total of nearly 500,000 units during the 3-year period.

Other sections of this title also represent significant proposals to make it easier for the lower income families to become homeowners. One of the provisions would authorize the FHA to qualify for assistance a lower income family who, under existing law, would be turned down because of marginal credit experience or irregular income patterns but who, it is found, is a satisfactory credit risk and would be capable of homeownership with proper counseling.

This title also contains a provision to authorize FHA to insure mortgages for families in the rundown neighborhoods of our cities without regard to economic soundness requirements and other limiting restrictions having in mind the need for adequate housing for families in these areas. This would meet the criticism often levied at FHA on red-lining areas and its refusing insurance only because of the area.

A special risk fund would be established, not necessarily actuarially sound, which would be used to meet probable higher losses in the more risky insurance cases that the Congress would be authorizing FHA to undertake.

Mr. President, I believe that it is about time the Congress realizes the dilemma it has placed the FHA in under existing law. On the one hand, FHA is required to run an actuarially sound operation with a minimum of losses while, on the other hand, it gets criticized because it shies away from the marginal risk cases and from neighborhoods where private enterprise has indicated as "off limits." Our committee has taken a firm stand on this, both in the pending legislation and in the committee's report. We believe that FHA was established to take risks and to bear the burden of helping to provide decent housing for all but the poorest of our people no matter where they live in. We believe that each case should be examined on its merits and, if it qualifies as a satisfactory risk, the FHA should accept it. The Congress, by these provisions of the bill, will be committing itself to stand back of FHA and help it truly perform the task it was created to do—that of providing the financial backup needed to help lower income families obtain decent housing.

This title contains provisions for assistance to nonprofit sponsors so that such sponsors can be effective in helping lower income families obtain decent housing. Also a Commission would be established by this title to study and report back to Congress on better ways and means to help house our lower income families. And, finally, the title contains authority to establish a National Home Ownership Foundation which would provide technical and limited financial assistance to private and public organiza-



tions desiring lower income families become decently housed.

**TITLE II—RENTAL HOUSING FOR LOWER INCOME FAMILIES**

Title II, Mr. President, deals with rental housing for lower income families. Let me say that section 201 of the title contains provisions similar to those which I described in title I for home ownership. In other words, what we are trying to do is to provide twin programs; namely, one for homeownership and one for rental opportunity for families of lower incomes, by having the houses built by private enterprise with a subsidy going where necessary and to the extent necessary in order to make it possible for the lower income families either to buy a home or to rent a unit.

This title is a companion title to title I, but for rental housing rather than homeownership. Section 201 of this title compares almost directly with section 101 in providing interest subsidy assistance to lower income families in rental projects. However, the renter would pay 25 percent of his income for housing costs before receiving a subsidy. It is believed that the 20 percent for a homeowner would be equivalent to 25 percent for a renter because the homeowner has other costs which the renter does not have, such as heat and maintenance. The authorization for assistance payments would be the same under this section as under the section 101 homeownership provision. It has been estimated that approximately 700,000 units would be contracted for under the moneys authorized to be appropriated for this program—\$75 million for fiscal year 1969, \$100 million for fiscal year 1970, and \$125 million for fiscal year 1971. These units would be both new construction and rehabilitated housing units.

Title II also includes authorizations to extend the public housing and rent supplement programs through fiscal year 1971. These programs are of benefit to the poorest families of our Nation whose incomes are so low that the new rent subsidy program explained above would be of little help. Under both the public housing and rent supplement programs, the tenants pay a certain portion of their income for rent—the public housing percentages determined locally and generally vary from 16 percent to 20 percent with allowance for children; the rent supplement percentage, as set by Federal law, is 25 percent. Under each of these programs, the Federal subsidy will make up the difference between what the tenant pays and the economic rent. However, the new rental program authorized by section 201 of this bill provides only limited subsidy—the difference between in amortization charges on a 6¾-percent mortgage and a 1-percent mortgage. Thus, it can reach and be of help to a more narrow segment of lower income families. Generally speaking, families below \$3,000 annual income would need rent supplement or public housing assistance and thus the committee believed it must be essential that adequate authority be made available to keep these programs operating at a good level.

**TITLE III—FEDERAL HOUSING ADMINISTRATION INSURANCE OPERATIONS**

This title contains 19 sections amending existing law to improve and make more effective existing FHA insurance programs. I said at the beginning that the committee bill consisted of several titles, and many provisions amending existing law. That accounts in large part for the great volume of the bill we have reported. We are amending, by and large, existing legislation. Title III is one of the titles containing many amendments to existing law.

Perhaps the most significant action of the committee relative to this title is its report language outlining FHA's responsibility in providing housing for all eligible families of this Nation regardless of the location of the property; also in helping to meet the need for better financing provisions in the rehabilitation of existing housing in connection with urban renewal.

**TITLE IV—GUARANTEES FOR FINANCING NEW COMMUNITY LAND DEVELOPMENT**

This title would establish a new Government bond insurance system to help finance the acquisition and development of new communities. Under existing law, FHA is authorized to insure mortgage loans used for this purpose. This authority was given in its present form in 1966 but no mortgage has yet been insured under it. The bond financing device would be a much superior method and should produce the financing at reasonable terms and with considerable flexibility to attract large private investors into this worthwhile endeavor.

**TITLE V—URBAN RENEWAL**

The most significant provision under this title is section 501 establishing a new neighborhood development program as part of urban renewal. Under this program, an annual grant would be made to a city to carry out small area redevelopment with the intent of speeding up the urban renewal process and showing visible accomplishments in short periods of time. This would replace much of the existing program whereby large areas are redeveloped over a 5- to 10-year period with no visible results until the end of a long planning and redevelopment process.

Another section of this title would initiate a new system of applying Federal funds for interim assistance to an area scheduled for urban renewal or code enforcement in the near future. By this device, much needed obvious work can be done well in advance of the slow-moving urban renewal process.

The committee also included provisions in this title to insure that a majority of housing units built in urban renewal areas are made available to low- and moderate-income families; it also increased the rehabilitation grant ceiling from \$1,500 to \$2,500 to help lower income families hold on to their homes and make the improvements needed to meet the rehabilitation standards.

Mr. President, one of the great objections so far to urban renewal has been that the undertaking requires such a long period of time to complete. This is true because urban renewal is a com-

plicated matter, and, sooner or later, when local planning agencies get started in the demolition process and finally remove the buildings, there is a vast area with nothing on it, and before it can be redeveloped, many years may have passed. The provision we have included in the committee bill would permit pursuing urban renewal undertakings by smaller areas which could be designated as neighborhood development programs. These smaller areas are a part of the whole which has been planned but permits such areas to be pursued with work and development in a limited way rather than taking the whole.

That, Mr. President, I may add, the neighborhood development programs would be undertaken on an annual basis. Let me cite an example right here in Washington—familiar to all of us in days not so long past—when one of the worst slums in the world was right in the shadow of the Capitol dome.

I referred, of course, to the Southwest Washington area. I have been down there. I remember being in a little alley and looking up, and there was the great, magnificent Capitol dome. It seemed the most ironic thing in the world that right in the shadow of the dome of the Capitol of the mightiest nation in the world we had slums that were absolutely incredible.

Finally, the slum clearance program under old title I of the Act of 1949 was set up. I guess the urban renewal program in Southwest Washington was one of the earliest in the country. As I remember, the total area covered was 555 acres. It took several years to get the buildings torn down. In fact, it seemed like it was going to be forever before any new buildings would be constructed in the area. Finally the buildings were started.

I remember saying to the director of our program, "When are we going to see some brick-and-mortar activity in the area?" There was always the same reply, and it was logical: "We have got to wait until we get the redevelopment plan and are ready to go." As we all know it took years. Frankly, I do not know how many years passed before redevelopment was started. But today, to look at it, one would never dream that it was the area it was several years ago. There are magnificent buildings there now—new homes and new rental units replacing that old slum. As a matter of fact, it is not fully developed yet. I am not saying we should have put the program into effect in 1949, because we were not ready for it, but now we have had the experience to profit from. Under the provision of the committee bill we could take the same tract and redevelop it in increments on an annual basis. This year we would redevelop a part of it. Next year we would redevelop more and so on down the line. We would make it progressive rather than try to take the entire area all at one time.

**TITLE VI—URBAN PLANNING FACILITIES**

The most important section in this title is section 601, which would rewrite the 701 urban planning provision and amend it to cover rural districts. This



would be a most significant step in our Government's efforts to stabilize and, in fact, reinvigorate the life and economy of rural districts, from which there has recently been such a high migration into our crowded cities.

Section 607 of this title would also encourage rural district development by providing for Federal incentive grants to such districts similar to those grants now available to metropolitan areas around our large cities.

I want to throw this thought in right here, because I think it is something most people overlook. When we talk about the slums and the rundown, deteriorated, unfit houses in city areas, we lose sight of the fact that the worst slums are in rural areas. There are more poor people living in the rural areas than in all the big cities combined. Over half of the poor people of this country live in rural areas. We are proposing in this bill provisions so that an attack may be made on conditions in rural areas, where there is a great demand for housing.

We need not be afraid of building houses in rural areas. We have had experience. In fact, in the act of 1949, 19 years ago, I offered an amendment and it was adopted. It became title V of the 1949 Housing Act. It was a simple provision. The provision authorized loans to be made to rural families and persons who needed housing. Under title V of the 1949 act hundreds of millions of dollars have been loaned to rural families for housing.

I am sure the present Presiding Officer [Mr. GORE in the chair], who is a farm boy like I am, can do as I do. When we ride around the country we can pick out, as we ride along, the housing that has been built under the title V program. This housing is one of the most cheering sights one can see. The program has a remarkable record of being financially sound. An enviable record has been achieved. In fact, that is true in the housing field in general. I think all housing programs must have exceeded any expectations that those who pioneered many years ago could have dreamed of.

#### TITLE VII—URBAN MASS TRANSPORTATION

The most significant provision in this title is section 704, which would authorize that 50 percent of the local share of the net project cost for mass transit projects could be made by the public or private transit systems rather than the local government. Also, in exceptional cases where the local government is fiscally unable to make the payment, the full amount of the local share may be paid by the local transit company. In making this payment, the funds could only come from undistributed cash surpluses, replacement, or depreciation funds or reserves available in cash or new capital.

#### TITLE VIII—SECONDARY MORTGAGE MARKET

This is something that I think is of great interest. It relates to what we call FNMA.

This title would amend the FNMA Charter Act of 1954 by providing for the spin-off of the secondary mortgage market facility into a privately owned corporation which would be called the Federal

National Mortgage Association, and the retention of the other functions of FNMA into a new Government National Mortgage Association—GNMA. This partition would take place gradually, but not earlier than May 1, 1970, nor later than May 1, 1973. The Government-owned preferred stock would be paid off promptly by FNMA issuing subordinated obligations. Once the preferred stock is paid off and the interim board of directors is appointed, the FNMA Corporation would no longer be considered a Government corporation and, thus, its financing operation would be excluded from the regular Government budget. FNMA would continue to have Federal backup support to the extent of \$2 billion borrowing authority from the Treasury.

GNMA would continue its special assistance and management and liquidation functions, would continue to issue participation certificates secured by mortgages, and would be given new authority to guarantee mortgage-backed securities issued by the new FNMA and other private-approved issuers. The security would be limited to FHA and VA mortgages.

By making the FNMA private, it is hoped to give it more strength and flexibility to carry out its charter responsibilities, but, to safeguard it from failing to perform in the best public interest, the Federal Government would continue to have a strong hand in the control of its management through the makeup of the Board and its charter provisions.

#### TITLE IX—NATIONAL HOUSING PARTNERSHIP

This title would authorize the creation of federally chartered, privately funded corporations to mobilize private investment and the application of business skills in the job of creating low- and moderate-income housing in large volume. It would work like this: A federally chartered corporation would be organized with expert staff proficient in the development and financing of housing projects. This corporation would get capital by forming a partnership with investors who, in return for favorable tax depreciation allowances, would be attracted to invest substantial sums of equity capital. With the equity capital thus available, the partnership could join with local partners to build housing with 90 percent of the cost financed with FHA assistance and 10 percent equity. With favorable refinancing terms, such as provided under the new section 236 of the 1968 Act, the operation can be most attractive to investors in the upper income brackets. Depreciation allowances are not new to housing investors, so that all of this can be accomplished without amendments to existing internal revenue laws. This provision was recommended by the President's Committee on Urban Housing, chaired by Mr. Edgar F. Kaiser, as a way of involving big business in solving the housing problems of our cities.

#### TITLE X—RURAL HOUSING

This title would provide for rural families the same benefits made available under section 101 of this bill for urban families, that is, an interest subsidy payment to help lower income families acquire homeownership.

#### TITLE XI—NATIONAL INSURANCE DEVELOPMENT CORPORATION

This title would establish the National Insurance Development Corporation in the Department of HUD. The NIDC would provide reinsurance to insurance companies for losses paid by them resulting from riots or civil disorders. By providing this reinsurance, NIDC will enable the insurance industry to continue to provide the necessary property insurance it is now providing to property owners in urban areas. Reinsurance losses would be shared among the insurance companies—through a loss retention and reinsurance premiums paid to NIDC—the States, and NIDC.

The NIDC would also encourage the private property insurance industry, in cooperation with State insurance authorities, to develop statewide plans to assure all property owners fair access to property insurance. These would be known as "Fair Access to Insurance Requirements plans"—FAIR plans. Minimum criteria would be provided in the bill for the FAIR plans. Although minimum criteria would be established, the State insurance authority would have the responsibility of determining the scope of the plans beyond the established minimum, working out the details of the operation of the plan, implementing the plan, and overseeing its operation. An insurance company obtaining reinsurance from NIDC would have to agree to participate in the State plan.

NIDC and the State insurance authority would maintain surveillance over the effectiveness of the FAIR plans in increasing insurance availability. If it is determined that the FAIR plan is not obtaining the desired results, additional programs may be required as a condition to continued NIDC reinsurance in the State.

#### TITLE XII—NATIONAL FLOOD INSURANCE ACT OF 1968

The Secretary of Housing and Urban Development will establish a program of flood insurance, as a joint venture between the Federal Government and the private insurance industry. The bill permits as an alternative, but only if necessary, an all Federal program with or without participation by companies, agents, or brokers as fiscal agents.

The facilities of the private insurance industry would be fully utilized in carrying out the program. Private insurance companies could either assume a portion of the risk in carrying out the program or could participate on a nonrisk basis. Risk sharing companies would commit risk capital to an industry pool of companies which would absorb a share of the losses and expenses of the program. The Federal Government would make premium equilization payments to the pool to cover losses and also would provide reinsurance coverage to the pool for excessively high losses. Insurance companies in the pool would pay a premium to the Government for this reinsurance coverage in years of low-flood losses. Other non-risk-bearing insurance companies would participate in the program as fiscal agents of the pool.



## TITLE XIII—INTERSTATE LAND SALES

This title would give to the Secretary of HUD authority to require full disclosure in the sale or lease of certain undeveloped land in interstate commerce or through the mails. All developers or sellers of such land would be required to file with the Secretary a statement of record listing certain required information about the ownership of the land, its title, its physical nature, its access and egress by roads and utilities and related matters. Pertinent extracts of this report would have to be included in a property report submitted to the purchaser before the sale is consummated.

## TITLE XIV—10-YEAR HOUSING PROGRAM

This title would require the President to make a report on or before January 15, 1969, setting forth a 10-year plan on the construction and financing of housing, both Government and conventionally financed, for each of the 10 years, together with a statement of what reduction in substandard units is expected; also an estimate of cost of various Federal programs for legislative action. Residential mortgage market needs would also be reported. Annual reports would subsequently be made for each of the 10 years thereafter on progress of the projected figures.

Mr. President, I said a few minutes ago that the President's 10-year proposal is a good proposal. I believe the committee will back me up in that statement.

Many people are not satisfied with this bill, thinking it does not go far enough. But, Mr. President, we have written a bill which we think goes just about as far as our present resources will permit. The organization of homebuilders in this country to do the job, the materials with which to do it, the labor force with which to do it, and all of that must necessarily be brought together as fast as we can, as we move into the program proposed by our bill. This is why the committee feels the need for annual reports on the housing needs of the Nation.

## TITLE XV—MISCELLANEOUS

One of the most important provisions under this title is the new interest subsidy financing device for college housing construction. Under existing law, direct Federal loans are made to colleges at 3-percent interest rates. This program has worked well but, because of recent expansion of colleges throughout the Nation, the funds needed to be appropriated for this purpose have been far short of the need.

To overcome this dilemma, this bill would authorize the Federal Government to pay interest subsidies amounting to the difference between a 3-percent loan and the market interest rate. The Federal commitment is far reduced by this means and it is believed a satisfactory quantity of housing can be built with a minimum of Federal outlay.

Mr. President, this is one of the most successful programs we have had. It was back in 1955 that I offered an amendment to the Housing Act of that year to provide a formula for lending money to colleges in order that they might expand their facilities to help take care of the ever-increasing load of GI's, veterans of World War II, and veterans who could be expected back from the Korean war.

Mr. JAVITS. Mr. President, will the Senator yield to me at that point?

Mr. SPARKMAN. Let me add one further thought.

That was adopted, and, with changes that have taken place from time to time since then, one of the most remarkable jobs in the history of this country has been done in building housing to house students and faculty members at our overcrowded and overcrowding colleges throughout this country.

I do not know what the colleges would have done without it. I believe I am safe in saying that there is not a single college in my State that has not benefited, and benefited immeasurably, from this program.

I cannot state exactly how much money has been loaned out so far, but I would say around \$3 billion. There has never been one dime of deficiency. I think it is a remarkable record.

We are making, this year, a change recommended by the distinguished Senator from New York, to whom I now yield.

Mr. JAVITS. I merely wish to say briefly, Mr. President, that it is such a creative program because it does operate with practically no impact on the budget. We struggled, if the Senator will recall, with an amendment of mine to increase the amount of college housing, and found it extremely trying because of the budgetary impact; and I was almost forced to this alternative as a means of escaping the budgetary impact. I express my appreciation to the Senator from Alabama and to the committee for having now embraced it and included it in the bill.

Mr. SPARKMAN. It was a most welcome suggestion.

Mr. JAVITS. I thank the Senator.

Mr. SPARKMAN. It was a happy solution of a problem that was becoming difficult because we could not provide the money in sufficient amounts to take care of all of the loans that the colleges needed.

We are not doing away with the direct loan program—we are merely setting up an alternative method of financing. I think it will be of tremendous help.

As the Senator from New York has pointed out, it would have relatively little impact on the budget.

Mr. JAVITS. I thank the Senator.

Mr. SPARKMAN. Under another section of this title, new authority would be given to the Secretary of HUD to increase the planning funds for the model cities program by \$12 million. By this action, the committee anticipates a third round of cities would apply for planning assistance under this program. The bill would also add \$1 billion for operating for fiscal year 1970 for model cities. These funds are used as supplementary grants to cities carrying out model cities programs and would be added to the \$900 million authorized under existing law.

In conclusion, Mr. President, S. 3497 is a bill like many others which we have brought the Senate from the Banking and Currency Committee. It is a bill that continues our many past efforts toward helping the American people obtain the goal declared in the Housing Act of 1949, "a decent home and suitable living environment for every American family." And like any other measure which comes

before this body, it is a bill that contains provisions that will be supported by some and opposed by others.

The bill was not easy to arrive at in our committee. The committee unanimously reported the measure, but many of the provisions represent a compromise view on the part of different members of the committee.

I can say very candidly that there are some provisions in the bill which, if I had been writing the bill, would not be in the bill. However, the bill represents the bringing together of the thinking of the members of the committee who worked long, hard, and earnestly on getting out a bill.

I call attention again to the fact that this bill is not something new that has just been developed or that the committee felt was forced upon it.

We started working on this bill nearly 2 years ago. We started working on housing and urban development legislation nearly a year and a half ago, in the early part of the first session of this Congress. And we have worked over the months on developing the committee bill. And the bill does represent the composite thinking of our committee.

I think that S. 3497 is by and large a good bill. In fact, I think it is one of the most comprehensive bills we have ever had. I want to go further and say that I think it is one of the best bills we have ever had, and that it is one that holds more promise for persons of low income to get decent housing, either rented or purchased, that we have ever had.

Mr. PERCY. Mr. President, will the Senator yield?

Mr. SPARKMAN. I yield.

Mr. PERCY. Mr. President, I should like to comment that, having been a member of the Housing Subcommittee, I have gone back over the history of some 30 years, and in my own comments this morning, which will follow those of the distinguished Senator from Texas [Mr. TOWER], I will comment more in detail on that. However, I think one point should be clearly made at this point.

This has been truly a bipartisan effort. The bill has been developed under the great leadership of the chairman, the distinguished Senator from Alabama, with great resourcefulness. He has been assisted by such members of the committee as the Senator from Minnesota [Mr. MONDALE], and, on the minority side, the distinguished Senator from Texas [Mr. TOWER], the ranking member of the committee, and the distinguished Senator from Utah [Mr. BENNETT].

We have been working for 2 years in the committee on the bill. We now have in Washington the representatives of the Poor People's Campaign. They have presented to the Secretary of HUD the requests they are making in the housing field. I believe that the distinguished Senator from Alabama will be particularly interested in the fact that as we go over the requests made by the Poor People's Campaign to the Secretary of HUD and look over in detail some of the things they have talked about, we find that we have anticipated in the past 2 years in the course of our hearings and in our response to the genuine need, many of the requests that they have



made of the Secretary. Anyone can clearly see that there is no question about our acceding to demands being made upon us.

We are sympathetic with the representatives of the poor who present to us that we had seen as a great need in this country.

Our response is a response that has gone back several years now, in anticipation of all of the things that have been presented in this bill that has been carefully worked on for many months now.

Every member of the committee has participated and worked cooperatively with representatives from HUD and with the Secretary of Housing and Urban Development.

It has been a great honor and privilege for me to work under the leadership of the Senator from Alabama.

I certainly support everything the chairman has said this morning.

Mr. SPARKMAN. Mr. President, I certainly thank the Senator from Illinois, and I share with him the feeling he has expressed that the bill represents the handiwork of 14 members of the committee.

Mr. President, I have expressed my thanks to the members of the committee and the subcommittee without mentioning their names. However, I believe I ought to say that the distinguished Senator from Texas [Mr. TOWER], the ranking minority member of the committee, is always most helpful and cooperative.

The same thing is true with respect to the Senator from Utah [Mr. BENNETT], the Senator from Iowa [Mr. HICKENLOOPER], the Senator from Illinois [Mr. PERCY], and the Senator from Massachusetts [Mr. BROOKE].

I could go right down the list on the Democratic side also.

Mr. President, perhaps I should just list the Democratic members of the committee. The members are WILLIAM PROXMIER, of Wisconsin; HARRISON A. WILLIAMS, JR., of New Jersey; EDMUND S. MUSKIE, of Maine; EDWARD V. LONG, of Missouri; THOMAS J. MCINTYRE, of New Hampshire; WALTER F. MONDALE, of Minnesota; GALE MCGEE, of Wyoming; WILLIAM B. SPONG, JR., of Virginia.

All of the members of the committee have been helpful and almost without exception suggestions have been adopted in the bill that have been made by each member of the committee. I pay tribute to all members of the committee for the dedicated service they have rendered in perfecting this piece of legislation. I feel somewhat safe in saying perfecting because I think it is an excellent piece of legislation.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD a section-by-section analysis of the bill.

There being no objection, the section-by-section analysis of the bill was ordered to be printed in the RECORD, as follows:

HOUSING AND URBAN DEVELOPMENT ACT OF 1968 (S. 3497)—SECTION-BY-SECTION SUMMARY

Section 1.—Provides that the bill shall be cited as the "Housing and Urban Development Act of 1968."

Section 2.—States the declaration of policy of the bill.

Section 3.—Provides that in administering programs authorized by sections 221(d)(3), 235, and 236 of the National Housing Act; the low-rent public housing program of the U.S. Housing Act of 1937; and section 101 of the Housing and Urban Development Act of 1965, the Secretary of the Housing and Urban Development shall require, to the greatest extent feasible, opportunities for employment arising in connection with construction or rehabilitation of housing assisted under such programs be given to lower income persons residing in the area of such housing.

#### TITLE I—LOWER INCOME HOUSING

##### Homeownership for Lower Income Families

Section 101.—Adds a new section 235 to title II of the National Housing Act to establish a mortgage insurance program based on an interest rate subsidy to provide homeownership for lower income families. The interest rate subsidy payment which would be paid by the Secretary of the Housing and Urban Development to the mortgagee could not exceed the lesser of: (a) The difference between the monthly payment for principal, interest, and mortgage insurance premium for a market rate mortgage, and the amount the monthly payment would be for principal and interest with a 1-percent mortgage, or (b) the difference between 20 percent of the mortgagor's monthly income and the monthly payment under the mortgage. The subsidy payment would be available to a purchaser having an income not in excess of 70 percent of the limits prescribed for eligibility to occupy projects financed under the FHA section 221(d)(3) below-market interest rate program, except that 20 percent of the contract funds could be used to assist families with income above these limits. For each minor child in the household, \$300 would be deducted from family income. The interest subsidy payment would decrease as the homeowner's income rises.

The subsidy payment could only be made with respect to new or rehabilitated housing meeting the requirements of the FHA section 221(d)(2) sales housing program, the 234 condominium program, the 213 cooperative program, or section 221(h) as incorporated into the new section with some modifications. However, during the first 3 years after enactment assistance payments could be made with respect to existing housing as follows: 25 percent of the contract funds authorized by appropriation acts in the first year; 15 percent of the contract funds authorized in the second year; 10 percent of the contract funds authorized in the third year. In addition, payments could be made with respect to existing housing for displaced families, families with five or more minors, or families living in public housing, as well as for families who purchase dwelling units released from the project mortgage for a 236 project or a rent supplement project. The maximum mortgage under the program would be \$15,000 (\$17,500 in high-cost areas), but each limit would be increased by \$2,500 for families of five or more persons. The section 221(d)(2) mortgage ceilings would be raised to the same level. Counseling services are authorized.

This section also authorizes contract authority subject to appropriations acts to finance the program in the following manner: \$75 million annually prior to July 1, 1969, which amount may be increased by \$100 million on July 1, 1969, and by an additional \$125 million on July 1, 1970.

##### Credit assistance

Section 102.—Adds a new section 237 to title II of the National Housing Act to authorize mortgage insurance for families of low and moderate income who cannot qualify for mortgage insurance under existing FHA programs because of their credit histories or irregular income patterns, but who the Secretary finds are "reasonably satisfactory" credit risks and capable of homeownership

with the assistance of budget, debt management, and related counseling provided by the Secretary. Mortgage insurance under this program would have to meet the requirements (other than credit and income requirements) under certain existing FHA single-family sales program, except that the principal obligation of the mortgage could not exceed \$15,000 (\$17,500 in high-cost areas) and the mortgagor could not undertake a mortgage which, in combination with local real estate taxes, required monthly payments for principal and interest which exceeds 25 percent of the mortgagor's income. The amount of insurance under this section is limited to \$200 million outstanding at any one time.

Relaxation of mortgage insurance requirements in certain urban neighborhoods

Section 103.—Amends section 223 of the National Housing Act by adding a new subsection (e) to give FHA a more flexible authority in providing financing for the repair, rehabilitation, construction, or purchase of properties located in older, declining urban areas by authorizing FHA to accept for insurance mortgages on properties which may not, because of the areas in which they are located, be able to meet all the normal eligibility requirements for insurance. Permits such mortgages to be accepted for insurance where FHA is able to establish that the areas are reasonably viable, giving consideration to the need for providing adequate housing for families of low and moderate income in such areas and that the properties are an acceptable risk in view of such consideration.

##### Special risk insurance fund

Section 104.—Adds a new section 238 to title II of the National Housing Act to establish a "Special Risk Insurance Fund," which fund is not intended to be actuarially sound and out of which claims would be paid on mortgages insured under sections 101 (homeownership assistance), 102 (credit assistance), 103 (properties in older, declining urban areas) and 201 (rental and cooperative housing for lower income families) of the bill. Payments on claims would be made in cash or debentures. Income such as insurance premiums and service charges in connection with these programs would be deposited in the new fund. Authorizes \$5 million advance from general insurance fund to establish new fund, which is repayable and authorizes appropriations when necessary to supplement and maintain adequacy of the new fund.

Condominium and cooperative ownership for low and moderate income families

Section 105.—Amends section 221 of the National Housing Act by adding new subsections (i) and (j) to permit section 221 (d)(3) below-market interest rate rental projects: (1) To be converted to condominium ownership; or (2) to be converted to cooperative ownership. Families purchasing condominium or cooperative units would be generally required to meet income limits established for occupancy under the 221(d)(3) below-market interest rate program.

Assistance to nonprofit sponsors for low and moderate income housing

Section 106.—Establishes a new program within HUD under which the Secretary may provide technical assistance to nonprofit sponsors of low and moderate income housing. Also authorizes the Secretary to make non-interest-bearing loans to nonprofit organizations for financing up to 80 percent of preconstruction costs in connection with federally assisted low and moderate income housing projects. These loans could cover such preconstruction items as architectural fees, land options, and engineering surveys. A revolving fund would be established, with \$7.5 million authorized the first year and \$10 million the second year.



## Insurance protection for homeowners

**Section 107.**—Authorizes the Secretary of HUD, in cooperation with the private insurance industry, to develop a plan for establishing an insurance program to enable homeowners to meet their monthly mortgage payments in time of personal economic adversity. Also directs the Secretary to make a report on his actions along with his recommendation for establishing such a program within 6 months following enactment of this act.

## National advisory commission on low-income housing

**Section 108.**—Establishes a National Advisory Commission on Low-Income Housing to undertake a comprehensive study and investigation of the resources and capabilities in the public and private sectors of the economy which may be used to fulfill more completely the objectives of the national goal of "a decent home and suitable living environment for every American family," particularly as such goal relates to low-income families. The Commission is directed to submit to the President and the Congress an interim report with respect to its findings and recommendations not later than July 1, 1969, and a final report not later than July 1, 1970.

## National Homeownership Foundation

**Section 109.**—Creates a National Homeownership Foundation, the purpose of which would be to provide technical and limited financial assistance to public and private organizations which have as their purpose providing increased homeownership and housing opportunities for lower income families. The Foundation, which would be a Government-chartered nonprofit private corporation, would be administered by a Board consisting of 18 members, 15 of whom would be appointed by the President with the advice and consent of the Senate. The remaining three members would be the Secretary of Housing and Urban Development, Secretary of Agriculture, and the Director of the Office of Economic Opportunity. The Foundation would also be authorized an appropriation of \$10 million to be used in carrying out its prescribed functions.

## TITLE II—RENTAL HOUSING FOR LOWER INCOME FAMILIES

## Part A—Private Housing

## Rental and cooperative housing for lower income families

**Section 201.**—Adds a new section 236 to title II of the National Housing Act to provide rental and cooperative housing for lower income families. Mortgages insured under section 236 would carry a market interest rate, but the Secretary of HUD would pay to the mortgagee on behalf of the mortgagor an amount equal to the difference between the monthly payment for principal, interest, and mortgage insurance premium at the market rate and the monthly payment for principal and interest at 1 percent. Occupants, however, would pay 25 percent of their income as rent up to the full market rental. The sponsor would reimburse the Secretary for that part of rent receipts in excess of the amount which would be required under 1-percent financing, and this amount could be used to make other interest reduction payments. Occupancy of assisted projects would be available only to tenants whose incomes are not in excess of 70 percent of the limits prescribed for eligibility under the section 221(d)(3) below-market interest rate program, except that 20 percent of contract funds could be used with respect to families with incomes above these limits. For each minor child in the household, \$300 would be deducted from family income. Section 221(d)(3) BMIR mortgages (prior to final endorsement) and section 202 housing for the elderly mortgages (up to, or a reasonable time thereafter, project completion) could be refinanced under this program.

Contracts for interest reduction payments subject to approval in appropriations acts would be authorized in the following amounts: \$75 million annually prior to July 1, 1969, which amount may be increased by \$100 million on July 1, 1969, and by \$125 million on July 1, 1970.

## Rent supplement program

**Section 202.**—Amends section 101 of the Housing and Urban Development Act of 1965 to increase the appropriation authority for the rent supplement program by \$40 million for fiscal year 1970 and \$100 million for fiscal year 1971. Also authorizes State or locally assisted rent supplement benefits.

Part B—Low-Rent Public Housing  
Increased low-rent public housing authorization

**Section 203.**—Amends section 10(e) of the U.S. Housing Act of 1937 to increase the annual contribution contract authority by \$100 million on enactment and by \$150 million for each of fiscal years 1970 and 1971.

## Upgrading management and services in public housing projects

**Section 204.**—Amends section 15 of the U.S. Housing Act of 1937 to authorize the Secretary of HUD to enter into grant contracts with local housing authorities to assist them in upgrading their management activities and to provide tenant services to families occupying public housing. Authorizes appropriation of \$20 million in fiscal year 1969 and \$40 million in fiscal year 1970 for such contracts.

## Purchase of units by tenants

**Section 205.**—Amends section 15(9) of U.S. Housing Act of 1937 to broaden existing law to permit local housing authorities to sell any low-rent housing units to tenants if such units are suitable for individual ownership. (Existing law permits tenants to purchase only detached or semidetached units.)

## Public housing in Indian areas

**Section 206.**—Amends section 1 of U.S. Housing Act of 1937 to permit public housing assistance for Indian families living in rural farm areas. (Existing law limits public housing assistance to urban and rural nonfarm areas.)

TITLE III—FEDERAL HOUSING ADMINISTRATION  
INSURANCE OPERATIONS

## Mortgage insurance premiums for servicemen and their widows

**Section 301.**—Amends section 222 of the National Housing Act to permit payment of FHA insurance premium by the Secretaries of Defense and Transportation for servicemen who assume a mortgage previously insured under any other provision of the National Housing Act. Also requires Secretaries to continue premium payment after serviceman's death on behalf of his widow for a 2-year period or until she sells the house, whichever is sooner. Also directs Secretaries to notify promptly the widow of the increase in costs she must bear at end of 2-year period.

## Seasonal homes

**Section 302.**—Adds a new section 203(m) to the National Housing Act to authorize FHA to insure mortgages on seasonal homes not exceeding \$15,000 and 75 percent of the appraised value on an acceptable risk basis, taking into consideration the economic potential of the area and the effect the insurance of such mortgages would have on the availability of mortgage credit in the area. Also requires proper steps to preserve natural resources of the area.

## Modification in terms of insured mortgages covering multifamily projects

**Section 303.**—Adds a new section 239 to the National Housing Act to require the Secretary of HUD to approve a request for the extension of time for curing a default on any FHA multifamily mortgage or for a modification of the terms of such a mortgage only

pursuant to regulations prescribed by him. Under such regulations, the mortgagor would have to agree to place in trust any income or funds derived from the project in excess of what is required to meet actual and necessary operating expenses. The Secretary could provide for granting such consent in any case or class of cases without regard to the requirements of the regulations where he determined such action would not jeopardize the interests of the United States. Any knowing and willful misdistribution of the rents or other income received during the period of extension or modification would subject the party to criminal penalty (\$5,000 or 3-year imprisonment, or both).

## Condominiums

**Section 304.**—Amends section 234(c) and (f) of the National Housing Act to: (1) Provide the same downpayment and maximum mortgage limitations for FHA condominium programs as are provided for the regular single-family FHA section 203(b) program, (2) permit blanket mortgages to cover four or more units instead of the present limitation of five or more units, and (3) permit FHA insurance for individual units in a condominium project with two to 11 dwelling units without requiring that the project be first covered by an FHA-insured project mortgage.

## Insurance of loans for purchase of fee simple title from lessors

**Section 305(a).**—Adds a new section 240 to the National Housing Act to permit FHA to insure loans of homeowners financing the purchase of fee simple title to property on which their homes are located where the homeowners have only leasehold interests to the land.

**Section 305(b).**—Amends 5(c) of the Home Owners' Loan Act of 1933 to permit savings and loan associations to invest in the loans described above.

Extend section 221(d)(2) sales housing program for two-, three-, and four-family residences to all low and moderate income families

**Section 306.**—Amends section 221(d)(2) of the National Housing Act to authorize mortgage insurance for two-, three-, and four-family residences to all low and moderate income families. (Existing law limits mortgage insurance only to displaced low and moderate income families.)

Remove dividend restriction from nondwell-ing facilities in section 221 projects

**Section 307.**—Amends section 221(f) of the National Housing Act to remove the requirement that mortgagors of multifamily projects insured under section 221 and located in urban renewal areas waive the rights to remove dividends on the equity investment of the project devoted to community and shopping facilities where these facilities are designed to serve the needs of others than residents of the project. (The restriction would not be removed in the case of sec. 221(d)(3) BMIR projects.)

Supplemental loan program for projects financed with FHA insured mortgages

**Section 308.**—Adds a new section 223(f) to the National Housing Act to permit the Secretary of HUD to insure supplemental loans to finance improvements, repairs, and additions to multifamily rental projects (including nursing homes and housing for the elderly) and group practice facilities financed with an FHA-insured mortgage. Such financing would supplement existing insured mortgages and would be available without refinancing the existing mortgage.

Home improvement loans—Increase in maximum maturity, finance charge, and loan amount

**Section 309.**—Amends section 2(b) of the National Housing Act containing the title I home improvement program to: (1) Increase the maximum loan limitation from \$3,500 to



\$5,000; (2) increase the maximum maturity from 5 years and 32 days to 7 years and 32 days; and (3) increase the maximum financing charge from \$5 to \$5.50 per \$100 on the first \$2,500 of the loan and from \$4 to \$4.50 per \$100 on the amount in excess of \$2,500.

#### Experimental housing program

**Section 310.**—Amends section 223 of the National Housing Act, the FHA experimental housing program, to make the program available for use in connection with all FHA programs.

#### Term of FHA mortgages for land development

**Section 311.**—Amends section 1002(d) (1) of the National Housing Act to increase the maturity for FHA mortgages securing subdivision development from 7 to 10 years with further authority placed in the Secretary of HUD to go beyond a 10-year maturity if he deems such longer term is necessary.

#### Rehabilitated multifamily projects in urban renewal areas

**Section 312.**—Amends section 220(d) (3) (B) (ii) and 221(d) (3) (iii) of the National Housing Act to permit FHA insurance under sections 220 (urban renewal housing) and 221(d) (3) (low and moderate income families) for multifamily properties in urban renewal areas which have been rehabilitated by local agencies.

#### Miscellaneous housing insurance

**Section 313.**—Amends section 223 of the National Housing Act to permit refinancing of FHA mortgages insured under any of the sections or the titles of the National Housing Act. In addition, this section would permit FHA mortgages assigned to the Secretary or executed in the sale of an acquired property to be insured under any section or title of that act. It also authorizes insurance of supplementary loans to cover excess of expenses over income for first 2 years of multifamily projects at the interest rate in effect at the time the supplementary loan is insured.

#### Supplementary loans for cooperative housing purchased from the Federal Government

**Section 314.**—Amends section 213(j) of the National Housing Act to authorize mortgage insurance for supplementary loans to housing cooperatives which purchased wartime housing from the Federal Government.

#### Equipment in nursing homes

**Section 315.**—Amends section 232 of the National Housing Act to permit the cost of major items of equipment necessary for the operation of a nursing home to be included in the FHA insured mortgage.

#### Flexible interest rates for certain FHA insurance programs

**Section 316.**—Amends section 3(a) of Public Law 90-301 to permit the Secretary of HUD, until October 1, 1969, to establish the interest rate for new mortgage insurance programs authorized by new sections 223(f) 235(j), and 240 of the National Housing Act (added by secs. 101, 314, and 305, respectively, of the bill) at such rate he believes necessary to meet the market.

#### Sale of rehabilitated units in multifamily structures

**Section 317.**—Amends section 221(h) of the National Housing Act to: (1) Permit the rehabilitation and sale of individual units (with a 3-percent mortgage) in a multifamily structure; and (2) permit the blanket mortgage to cover four or more units instead of the present limitation of five or more units.

#### TITLE IV—GUARANTEES FOR FINANCING NEW COMMUNITY LAND DEVELOPMENT

**Sections 401-416.**—Add a new title to be referred to as the "New Communities Act of 1968" to the housing laws to permit the Secretary of HUD to guarantee the bonds, debentures, notes, and other obligations is-

sued by private new community developers to help finance the development of new community projects. This title would provide:

**Maximum guarantee:** Cannot exceed: (a) The lesser of 80 percent of the Secretary's estimate of the value of the property upon completion of the land development, or (b) the sum of 75 percent of the Secretary's estimate of the value of the land before development and 90 percent of his estimate of the actual cost of the land development.

**Guaranteed ceilings:** \$50 million for any single new development; \$500 million aggregate outstanding principal obligation at any one time.

**Revolving fund for guarantee:** Fees and charges collected by the Secretary will be deposited in a revolving fund to cover any liabilities under the guarantees. In addition, the full faith and credit of the United States is pledged to payment of the guarantees and appropriations to cover program operations and nonadministrative expenses and, if necessary, any guarantee payments are authorized.

**Small builders:** Requires HUD to adopt requirements encouraging small builders to participate in new community projects.

**Supplementary grants:** Authorizes supplemental grants to States and localities assisting new community development with basic water and sewer and open space projects. The additional grant is limited to 20 percent of cost of the facility and a substantial number of housing units for low and moderate income person must be made available through such development project. (Total Federal grant cannot exceed 80 percent of facility cost.) Authorizes an appropriation of not to exceed \$5 million for supplemental grants for fiscal year 1969 and not to exceed \$25 million for fiscal year 1970.

Sections of this title also require cost certifications in connection with a land development project and authorize the General Accounting Office to audit the transactions of developers whose obligations are guaranteed pursuant to this title.

#### TITLE V—URBAN RENEWAL

**Section 501.**—Amend title I of the Housing Act of 1949 by adding a new subtitle heading to read, "Part A—Urban Renewal Projects, Demolition Programs and Code Enforcement Programs" and further amends that title by adding a new "Part B—Neighborhood Development Programs." This new part B added to title I authorizes the Secretary of HUD to provide financial assistance to local public agencies on an annual basis to assist them in carrying out "neighborhood development programs." A neighborhood development program would consist of urban renewal project undertakings and activities in one or more urban renewal areas that are planned and carried out on the basis of annual increments. The requirements governing such undertakings and activities would be similar to those governing the provision of Federal financial assistance for regular urban renewal projects.

#### Increased authorization

**Section 502.**—Amends section 103(b) of the Housing Act of 1949 to increase the contract authority for urban renewal and other title I activities by \$1.4 billion on July 1, 1969. This section also authorizes an increase of \$350 million for urban renewal projects in model city areas.

#### Rehabilitation grants

**Section 503.**—Amends section 115(a) of the Housing Act of 1949 to increase the rehabilitation grant that can be made to low-income homeowners from \$1,500 to \$2,500. This section also makes a technical amendment to change the term "structure" to "real property" in order to permit the use of grant funds for rehabilitation relating to aspects of the property other than the dwelling structure itself. Finally, this section authorizes rehabilitation grants in areas (other than urban renewal and code enforcement areas)

which are scheduled for rehabilitation or concentrated code enforcement within a reasonable period of time.

#### Rehabilitation in urban renewal areas

**Section 504.**—Amends section 110(c) (8) of the Housing Act of 1949 to remove the present limitation on the acquisition and rehabilitation of residential properties by a local urban renewal agency. (Existing law permits the local agency to acquire and rehabilitate for demonstration purposes no more than 100 units or 5 percent of the total residential units in the urban renewal area, whichever is lesser.)

#### Disposition of property for low and moderate income housing

**Section 505.**—Amends section 107 of the Housing Act of 1949 to make it clear that land may be disposed of for low as well as moderate income housing purposes and to permit this disposition to be accomplished by lease as well as by sale. Would also permit land to be sold to a mortgagor qualified under section 236 of the National Housing Act (added by sec. 201 of this bill) and to non-profit organizations eligible under section 221(h) or under 235(j) (1) of the National Housing Act (added by sec. 101 of this bill) which rehabilitate property and sell it to low or moderate income families.

#### Grants for low and moderate income housing in open land projects

**Section 506.**—Amends section 103(a) (1) of the Housing Act of 1949 to permit grants to be made with respect to urban renewal open land projects (which now only qualify for loans) in an amount not to exceed two-thirds of the difference between the proceeds from any land disposed of at its value for low or moderate income housing (under sec. 107 of such act) and the proceeds which would have been realized if the land had been disposed of at its fair value without regard to the special provisions of section 107.

#### Urban renewal loan contracts

**Section 507.**—Amends section 102(c) of the Housing Act of 1949 to permit a local public agency to borrow funds to finance project undertakings on the private market at an interest rate in excess of the Federal lending rate set out in its loan contract with the Government. The difference between the interest cost on the private market and the interest cost at which the LPA could have borrowed from the Federal Government under its loan contract would be made up by a supplemental grant from the Government.

#### Project completion prior to disposition of certain property

**Section 508.**—Amends section 106 of the Housing Act of 1949 to permit the Secretary of HUD to allow an urban renewal project to be closed out where: (1) Not more than 5 percent of the total acquired land remains to be disposed; (2) the local public agency does not expect to be able, due to circumstance beyond its control, to dispose of that land in the near future; (3) all other project activities are completed; and (4) the local public agency has agreed to dispose of or retain such land in the future for uses in accordance with the urban renewal plan. This section would also amend section 110(f) of such act to include in the amount of land proceeds, for the purpose of computing net project cost, an amount equal to the value of the land not yet disposed of.

#### Demolition grants

**Section 509.**—Amends section 116(a) of the Housing Act of 1949 to authorize the Secretary of HUD to make grants for the demolition of nonresidential structures that are harborage or potential harborage of rats.

#### Air rights in urban renewal areas

**Section 510.**—Amends section 110(c) of the Housing Act of 1949 to permit the carrying out of air rights urban renewal projects and the construction of necessary foundations and platforms to provide educational facil-



ities. Under present law, these activities may be assisted only when they are for low and moderate income housing or for industrial development where the area is not suitable for low and moderate income housing.

#### Interim assistance for blighted areas

**Section 511.**—Adds a new section 118 to title I of the Housing Act of 1949 to authorize the Secretary of HUD to contract to make grants, in an aggregate amount not to exceed \$20 million in any fiscal year, to cities and other municipalities or counties to assist in taking interim steps to alleviate harmful conditions in any slum and blighted area of the community which is planned for substantial clearance, rehabilitation or federally assisted code enforcement in the near future but which needs some immediate short-term public action until permanent action can take place. Such interim assistance grants could not exceed two-thirds of the cost of planning and carrying out the interim program except that a three-fourths grant could be made to any community with a population of 50,000 or less. A workable program is a prerequisite of an interim assistance program. Also, relocation assistance and payments would be available to those displaced as a result of the interim program. This section also requires the Secretary of HUD, wherever feasible, to encourage the employment of unemployed or underemployed residents of the area in carrying out activities under this section.

#### Rehabilitation loans

**Section 512.**—Amends section 312 of the Housing Act of 1964 to: (1) Extend the rehabilitation loan program from October 1, 1969, to October 1, 1970, and (2) authorize such loans in areas, other than urban renewal and concentrated code enforcement areas, which are scheduled for rehabilitation or concentrated code enforcement within a reasonable period of time where the property is a owner-occupied residential structure and it is in violation of local housing or similar codes.

#### Low and moderate income housing in residential urban renewal areas

**Section 513.**—Rewrites section 105(f) of the Housing Act of 1949 to require that a majority of the housing units provided in urban renewal projects which are to be redeveloped for predominantly residential uses and which receive Federal recognition after the effective date of this bill be standard housing units for low or moderate income families or individuals.

#### TITLE VI—URBAN PLANNING AND FACILITIES Comprehensive planning

**Section 601.**—Rewrites section 701 of the Housing Act of 1954 (urban planning assistance). The principal change authorizes the Secretary of HUD to make planning grants to State planning agencies for assistance to district planning agencies for rural and other non-metropolitan areas. A grant authorization of \$20 million would be provided for such planning grants, to be increased by an additional \$10 million on July 1, 1969, both to come out of the regular increase. The Secretary of Agriculture would be given certain functions with respect to these district planning grants. The section also authorizes an additional \$10 million of the section 701 appropriations to be available for study, research, and demonstration projects covering such matters as the planning for entire systems of public facilities and services within metropolitan areas and other multijurisdictional regions. Other changes would authorize the Secretary to make planning grants directly to tribal planning councils or other bodies for planning on Indian reservations and would require that metropolitan, regional, and district planning agencies, to the greatest extent practical, be composed of or responsible to elected officials of local governments. This section also au-

thorizes grants under section 701(g) for regional and district councils of government as well as those organized on a metropolitan basis and a broadening of the definition of comprehensive planning for the provision of governmental services and for the development and utilization of human and natural resources. This section has added to the preamble of section 701 a statement to make it clear that the committee expects HUD to permit the judicious use of private planning consultants by State and local governments where these governments deem it appropriate in carrying out planning activities assisted under section 701. The section further authorizes grants to official governmental planning agencies for areas where rapid urbanization is expected to result on land developed or to be developed as a new community under title IV of the bill and to regional commissions established pursuant to the Public Works and Economic Development Act of 1965.

The bill also authorizes additional 701 planning funds amounting to \$35 million for fiscal year 1969 and \$125 million for fiscal year 1970.

#### Planned areawide development

**Section 602.**—Amends title II of the Demonstration Cities and Metropolitan Development Act of 1966 by changing the heading of such title to "Planned Areawide Development" and in keeping with this change in title amends the sections and subsections thereto to permit supplementary incentive grants authorized for certain federally assisted projects in metropolitan areas to be made for such projects being carried out in any multijurisdictional area such as the rural planning districts which are authorized by the amendments in section 601 of this bill. Also makes available for grant purposes through fiscal year 1970 any of the funds authorized for fiscal years 1967 and 1968, but which have not been appropriated.

#### Advance acquisition of land

**Section 603.**—Amends section 701 and rewrites section 704 of the Housing and Urban Development Act of 1965 to provide basic authority for a more efficient and effective program of Federal assistance to localities for the advance acquisition of land expected to be needed for public purposes. The amendments and rewriting would:

- (1) Change the definition of eligible land;
- (2) Require that the proposed use of the land be undertaken within 5 years except the Secretary could go beyond the 5-year period if, due to unusual circumstances, he deems a longer period necessary and if he advised the Banking and Currency Committees of the Congress of this action;
- (3) Clarify the status of the land in the interim between acquisition and utilization for the approved purpose;

- (4) Permit the Secretary to approve the diversion of the land to another public purpose when in accord with comprehensive planning and give him discretion to require repayment of the grant or the substitution of land of equivalent value when the land is diverted to a nonpublic purpose;

- (5) Provide that assistance under this section will not render a project ineligible for other Federal assistance programs and that the cost of land acquired with this assistance will not be an ineligible project cost in such other programs;

- (6) Provide for grant assistance for imputed interest charges when an applicant uses other than borrowed funds to finance the acquisition of the land; and

- (7) Clarify the authority of States to participate in the program.

#### Extension of interim planning requirements in water and sewer facilities program

**Section 604.**—Amends section 702(c) of the Housing and Urban Development Act of 1965 to extend interim planning requirements in

the water and sewer facilities program from July 1, 1968, to October 1, 1969.

Authorizations for water and sewer facilities, neighborhood facilities, and advance acquisition of land programs

**Section 605.**—Amends section 708(a) of the Housing and Urban Development Act of 1965 to provide that any funds authorized but not appropriated for the basic water and sewer facilities, neighborhood facilities, and the advance acquisition of land programs will remain available for appropriation through fiscal year 1970. (Present authorization for these programs expires with fiscal year 1969.) In addition, this section authorizes an appropriation of \$115 million for fiscal year 1970 for grants for water and sewer projects.

#### Open space land program

**Section 606.**—Amends section 702(b) of the Housing Act of 1961 to convert the funding provision for contracts under the open space land program from contract authority to regular authorization for appropriation and authorizes the appropriation of the unused portion of contract authority. This section would also increase the appropriation authority by \$150 million in fiscal year 1970. This section would further increase the amount of grant funds which can be used annually for studies and publications from \$50,000 to \$125,000.

Authorize the making of feasibility studies in the public works planning advances program

**Section 607.**—Amends section 702(a) of the Housing Act of 1954 to clarify the authority of the Secretary of HUD to make advances for the conduct of feasibility studies regarding specific public works, the planning of which may be assisted under section 702.

#### TITLE VII—URBAN MASS TRANSPORTATION

##### Grant authorizations

**Section 701.**—Amends section 4(b) of the Urban Mass Transportation Act of 1964 to authorize an appropriation of \$190 million for fiscal year 1970. In addition, it would increase the amount of funds which may be used from the current authorization for research development and demonstration programs by \$6 million for fiscal year 1969 and would authorize the Secretary after fiscal year 1969 to use for research and demonstration activities such funds as he deems appropriate from those authorized in section 4(b) of the 1964 act.

##### Definition of mass transportation

**Section 702.**—Amends section 12(c)(5) of the Urban Mass Transportation Act of 1964 to broaden the statutory definition of "mass transportation." The broadened definition would permit greater flexibility in developing and applying new concepts and systems in urban mass transportation programs.

##### Extension of emergency program under the Urban Mass Transportation Act

**Section 703.**—Amends section 5 of the Urban Mass Transportation Act of 1964 to extend the emergency provisions of the mass transportation program from November 1, 1968, to July 1, 1970.

##### Non-Federal share of net project cost

**Section 704.**—Amends sections 4(a) and 5 of the Urban Mass Transportation Act of 1964 to permit private transit companies to furnish up to 50 percent of the local share of the net project cost of a mass transit project, or in cases of an applicant's (State or local public body) financial inability to put up any portion of the local share, private companies would be permitted to put up 100 percent of such share.

#### TITLE VIII—SECONDARY MORTGAGE MARKET Purposes

**Section 801.**—States that the purpose of this title is to partition the Federal National Mortgage Association into two corporations:



(1) Government National Mortgage Association (GNMA); and (2) Federal National Mortgage Association (FNMA).

Amendments to the Federal National Mortgage Association Charter Act

**Section 802.**—Amends the Federal National Mortgage Association Charter Act (title III) of the National Housing Act to establish—

(a) *Government National Mortgage Association:*

Would operate existing special assistance and management and liquidating functions, and

Would be administered by Secretary of Housing and Urban Development (now under FNMA Board of Directors and a President).

(b) *Federal National Mortgage Association:*

**Purpose.**—Would operate a privately financed secondary mortgage market for government supported mortgages.

**Board of Directors.**—Would consist of 15 members of which five would be appointed annually by the Secretary of Housing and Urban Development. The remaining members would be elected by the stockholders. Of those members appointed by the Secretary, one shall be from the homebuilding industry, one from the real estate industry, and one from the mortgage lending industry.

**Powers of Secretary of Housing and Urban Development.**—Would have regulatory powers, including a requirement that a reasonable portion of mortgage purchases relate to low and moderate income housing; also issuance of securities would be subject to his approval.

**Treasury-held preferred stock.**—Would be retired as rapidly as possible after effective date.

**Common stock.**—Would continue to require mortgage sellers to purchase common stock; also each mortgage servicer would be required to hold up 2 percent of mortgages serviced in common stock.

#### Participations

**Section 803.**—Amends section 302(c) of the Federal National Mortgage Association Charter Act to permit GNMA, as trustee under trusts created for sales of participation certificates, to issue such certificates for refinancing purposes without regard to the requirement of appropriation act authority. Any appropriation for insufficiencies accompanying the original authorization would apply as well to any "rollover" sale.

#### Mortgage-backed securities

**Section 804.**—Amends section 304 of such act to authorize the new Federal National Mortgage Association to issue securities backed by an earmarked pool of portfolio mortgages. This section would also authorize the Government National Mortgage Association to guarantee such securities as well as those issued by approved private issuers.

#### Subordinated and convertible obligations

**Section 805.**—Amends section 304 of such act to authorize the Federal National Mortgage Association to issue subordinated obligations up to twice its capital and surplus.

#### Special assistance authorization

**Section 806.**—Amends section 305(c) of such act to authorize an additional \$500 million for the purchase of mortgages by the Government National Mortgage Association in its special assistance function.

#### Amendments to other laws

**Section 807.**—Makes numerous changes in other laws necessitated by the establishment of the new Federal National Mortgage Association and the new Government National Mortgage Association.

#### Effective date

**Section 808.**—Provides that the partition of the existing Federal National Mortgage Association would become effective no more than 120 days following the enactment of this act.

#### Savings provisions

**Section 809.**—Preserves causes of action and legal proceedings existing or instituted by or against the Federal National Mortgage Association prior to the effective date so that such actions and proceedings will not abate.

#### Transitional provisions

**Section 810.**—Provides that the transitional period would begin on the "effective date" and terminate when at least one-third of the stock is owned by private investors in the homebuilding, mortgage lending, real estate, and related industries but no sooner than May 1, 1970, or later than May 1, 1973. During this period the President of the Federal National Mortgage Association will be appointed by the President of the United States with the advice and consent of the Senate and the Board of Directors would be limited to nine members. In the first year all nine members would be appointed by the Secretary of Housing and Urban Development, in the second year seven would be appointed by the Secretary and two would be elected by the stockholders, and in the third year and subsequent period, five members would be appointed by the Secretary and the remainder elected by the stockholders. One of the Secretary's appointees would have to be the President of FNMA.

#### TITLE IX—NATIONAL HOUSING PARTNERSHIPS

**Sections 901–911.**—Authorizes the creation of National Housing Partnerships in order to encourage private investors to provide low and moderate income housing in substantial volume on a nationwide scale. Such a National Partnership would form partnership ventures with local investors for the construction of housing for low and moderate income families.

The title would authorize the creation of federally chartered privately funded corporations to be organized under the District of Columbia Business Corporation Act. Such a corporation in turn would form a partnership organized under this title and under the District of Columbia Uniform Limited Partnership Act. The federally chartered Corporation would serve as the general partner and managing agent of the National Partnership and each of the stockholders and others could be limited partners. The Corporation would provide the staff and expertise for the Partnership in connection with the organization and planning of specific local project undertakings in which the National Partnership would have an interest.

#### TITLE X—RURAL HOUSING

##### Housing for low and moderate income persons and families

**Section 1001.**—Adds a new section 521 to title V of the Housing Act of 1949 to authorize the Secretary of Agriculture to make direct and insured loans with interest-rate subsidies in rural areas to low and moderate income persons and families and to provide rental or cooperative housing for such persons and families where such persons and families are unable to obtain housing under sections 235 and 236 of the National Housing Act, proposed by sections 101 and 201 of this bill.

##### Housing for rural trainees

**Section 1002.**—Adds a new section 522 to title V of the Housing Act of 1949 to authorize financial and technical assistance to States or political subdivisions thereof, or any public or private nonprofit organization to provide, in rural areas, housing and related facilities for rural trainees (and their families) enrolled in federally assisted training courses to improve their employment capabilities when the Secretary determines that such housing and facilities could not be reasonably provided in any other way.

#### Appropriations

**Section 1003.**—Amends section 513 of the Housing Act of 1949 to authorize appropri-

tions to the Secretary of Agriculture for the cost of carrying out his administrative functions under sections 235 and 236 of the National Housing Act.

#### Purchase of land for building sites

**Section 1004.**—Amends section 514(f) (2) of the Housing Act of 1949 to broaden the eligibility purposes of domestic farm labor housing loans to include the purchase of necessary land for building sites.

#### TITLE XI—NATIONAL INSURANCE DEVELOPMENT CORPORATION

##### Short title

**Section 1101.**—Adds new title to be referred to as "The National Insurance Development Corporation Act of 1968."

##### Findings and declaration of purpose

**Section 1102.**—Includes a finding that the unavailability of property insurance in inner-city areas is accelerating the deterioration and threatening the economic well-being of cities. States that the purpose of the bill is to encourage the development of statewide programs to increase the availability of property insurance and to provide Federal reinsurance with appropriate State sharing in reinsured losses due to civil disorders.

#### Amendment of the National Housing Act

**Section 1103.**—Adds a new title XII to the National Housing Act to establish the National Insurance Development Corporation. The provisions of the proposed new title are summarized briefly below.

#### Creation and dissolution of National Insurance Development

**Section 1201.**—Creates the National Insurance Development Corporation within the Department of Housing and Urban Development, under the authority of the Secretary.

##### Executive director

**Section 1202.**—Provides that, subject to section 1201 the management of the Corporation shall be vested in an Executive Director appointed by the President, by and with the advice and consent of the Senate.

Advisory Board, meetings, duties, compensation, and expenses

**Section 1203.**—Establishes a 19-member Advisory Board appointed by the Secretary.

##### Definitions

**Section 1204.**—Contains definitions in this title.

#### Part A—Statewide Plans To Assure Fair Access to Insurance Requirements

##### Fair plans

**Section 1211.**—Requires every insurer reinsured by the Corporation to cooperate with the State insurance authority, in each State in which it acquires reinsurance, in establishing and carrying out statewide plans to assure fair access to insurance requirements ("FAIR" Plans). These plans, which must be approved by the State insurance authority or authorized by State law, are to be administered under the supervision of the State insurance authority and designed to make essential property insurance more readily available in, but not limited to, urban areas.

##### All industry placement facility

**Section 1212.**—Requires all plans to include an all-industry placement facility, doing business with all participating insurers, to help agents and brokers to place insurance up to the full insurable value of a property.

##### Industry cooperation

**Section 1213.**—Requires every participating insurer to pledge with the State insurance authority its full participation and cooperation of the plan and the need to form a pool or to adopt other programs to make essential property insurance more readily available.

##### Plan evaluation

**Section 1214.**—Provides for transmission of copies of plans and amendments by State



insurance authorities to the Corporation and for these authorities to advise the Corporation with regard to the operation of the plan and the need to form a pool or to adopt other programs to make essential property insurance more readily available. The Corporation may modify plan criteria as may be necessary or desirable and upon certification by the State insurance authority waive compliance with one or more of the plan criteria.

#### Part B—Reinsurance Coverage

##### Reinsurance of losses from riots or civil disorders

**Section 1221.**—Authorizes the Corporation to offer riot or civil disorder property loss reinsurance to any insurer or pool of insurers in any one or more States. Reinsurance may be provided immediately upon enactment of the title for a 90-day period, but thereafter only if the insurer is participating in the State's plan under part A.

##### Reinsurance agreements and premiums

**Section 1222.**—Authorizes the Corporation to provide reinsurance, to reimburse the insurer for losses in excess of the insurer's retention, at premium rates adequate to provide premiums which will exceed in aggregate amount the insured riot losses in 1967, and provides that thereafter the Corporation may adjust reinsurance premium rates as may be necessary or appropriate after consultation with the Board and the National Association of Insurance Commissioners.

##### Conditions of reinsurance

**Section 1223.**—Provides the conditions under which the Corporation will terminate existing reinsurance coverage and will not offer new coverage for insurance written after the termination date, including such conditions as State assumption of a share of reinsured losses, the adoption of additional programs such as pools, and insurer participation in State plans and programs.

##### Recovery of premiums: statute of limitations

**Section 1224.**—Authorizes the Corporation to recover any unpaid premiums for reinsurance; imposes a 5-year statute of limitations on the recovery by an insurer of excess premiums paid to the Corporation or the recovery by the Corporation of reinsurance premiums due to it.

#### Part C—Provisions of General Applicability

##### Claims and judicial review

**Section 1231.**—Authorizes the Corporation to adjust and pay claims for proved and approved losses, and allows a claimant to institute any action in the U.S. district court within 1 year after receipt of notice of disallowance of a claim.

##### Fiscal intermediaries and servicing agents

**Section 1232.**—Authorizes the Corporation to contract with any insurer, pool, or other person or organization for estimating or determining reinsurance claim payment amounts, receiving, disbursing, and accounting for reinsurance claim payments, auditing insurers' records to assure proper payments, establishing the basis of reinsurance liability, and otherwise assisting in carrying out the purposes of the title.

##### National insurance development fund

**Section 1233.**—Provides for the establishment of a national insurance development fund to be available to the Corporation without fiscal year limitation to pay reinsurance claims, to pay administrative expenses, and to repay with interest amounts borrowed under section 520(b) of the National Housing Act.

##### Records, annual statements, and audits

**Section 1234.**—Requires reinsured insurers to furnish the Corporation with annual statements and such data as may be necessary in carrying out this program and to keep records to facilitate an effective audit; author-

izes the Corporation and the Comptroller General to conduct audits; and provides that the Corporation is to make use of State insurance authority examination reports and facilities to the maximum extent feasible in connection with these activities.

##### Study of reinsurance and other programs

**Section 1235.**—Provides for the Corporation to study reinsurance and other means of assuring an adequate supply of burglary and theft and other property insurance in urban areas and the adequate availability of surety bonds for construction contractors in urban areas and to report to the President and the Congress within 1 year the results of its study and its recommendations.

##### Other studies

**Section 1236.**—Provides for the Corporation, in cooperation with State insurance authorities and the private insurance industry, to study the operation of the FAIR plans, the extent of the unavailability of essential property insurance in urban areas, the market for private reinsurance, loss-prevention methods and procedures, insurance marketing methods, and underwriting techniques.

##### General powers of corporation

**Section 1237.**—Authorizes the Corporation to have a corporate seal, to sue and be sued (with all civil actions in which the Corporation is a party deemed to arise under the laws of the United States), to enter into and perform contracts, leases, and other agreements without competitive bidding; to employ a staff; to make necessary or appropriate rules and regulations; and to exercise all powers specifically granted by the title and such incidental powers as are necessary to carry out its purposes.

Service and facilities of other agencies—utilization of personnel, services, facilities, and information

**Section 1238.**—Authorizes the Corporation, with the consent of the agency concerned, to utilize the personnel and information of any agency of the Federal Government on a reimbursable basis and to obtain data relevant to matters within its jurisdiction from any Federal agency on a nonreimbursable basis to the extent permitted by law.

Advance payments and finality of certain financial transactions

**Section 1239.**—Provides that the Corporation's financial transactions relating to reinsurance shall be final and conclusive on all officers of the United States and that the Corporation may make reinsurance payments in advance or by way of reimbursement and in such installments and on such conditions as it may determine.

##### Taxation

**Section 1240.**—Exempts the Corporation from local, State or Federal taxation and provides that any State undertaking measures in meeting its obligations for reinsured losses shall not be subject to retaliatory or fiscal imposition by any other State.

##### Annual report

**Section 1241.**—Requires the Secretary to include a report on the operations of the Corporation in his annual report.

##### Appropriations

**Section 1242.**—Authorizes to be appropriated such sums as may be necessary to carry out this title.

##### Financing

**Section 1104.**—Amends section 520(b) of the National Housing Act to authorize the Secretary to borrow funds necessary to pay for reinsured losses under title XII of the act.

##### Government Corporation Control Act

**Section 1105.**—Defines the National Insurance Development Corporation as a wholly owned Government corporation under the Government Corporation Control Act.

##### Compensation of executive director

**Section 1106.**—Provides for compensation of the Executive Director at the rate prescribed for level IV of the Federal Executive Salary Schedule.

Clarifying amendments to acts referring to disasters

**Section 1107.**—Would amend other acts to include "riot or civil disaster" in the definitions of "disaster" or "catastrophe."

#### TITLE XII—NATIONAL FLOOD INSURANCE ACT OF 1968

##### Short title

**Section 1201.**—Adds new title to be referred to as "National Flood Insurance Act of 1968."

##### Findings and declaration of purpose

**Section 1202.**—States that a flood insurance program is feasible and can be initiated, and should complement and encourage measures to prevent flood damage; that if the program is commenced on a gradual basis, time and experience will enable it to be reappraised and expanded; that the program can be carried out most effectively through a cooperative effort on the part of the Federal Government and the private insurance industry; and that a critical ingredient of such a program will be the encouragement of State and local governments to adopt land use regulations to govern the development of land exposed to flood damage. Calls for the President to submit to the Congress, within 2 years, a unified national program for flood plain management, including any further proposals for the allocation of costs among beneficiaries of flood protection.

##### Amendments to the Federal Flood Insurance Act of 1956

**Section 1203(a).**—Amends section 15(e) of the Federal Flood Insurance Act of 1956. That section vested the Administrator of the Housing and Home Finance Agency with authority to borrow \$500 million in the aggregate (or greater sums if authorized by the President) from the Secretary of the Treasury. The amendment in section 1203(a) relates to the interest formula which is to apply to borrowed funds. Under section 1210 of the bill, the borrowing authority would be made specifically available to the Secretary of Housing and Urban Development to carry out responsibilities which would be vested in him under the bill.

**Section 1203(b).**—Strikes out obsolete language from section 15(e) of the Federal Flood Insurance Act of 1956.

**Section 1203(c).**—Repeals all sections of the Federal Flood Insurance Act of 1956, except section 15(e), relating to Treasury borrowing authority.

##### Definitions

**Section 1204.**—Defines: (1) "flood" as having such meaning as prescribed in regulations of the Secretary, and including inundation from the overflow of streams, rivers, or other bodies of waters, and from tidal surges, abnormally high tidal water, tidal waves, hurricanes, and other severe storms or deluge; (2) "United States" and "State" as including the several States, the District of Columbia, the territories and possessions, and the Commonwealth of Puerto Rico; (3) "insurance company," "other insurers," "insurance agents and brokers," to include any organizations or individuals authorized to engage in the insurance business under the laws of any State; (4) "insurance adjustment organizations" to include any organizations or persons engaged in the business of adjusting loss claims arising under insurance policies issued by licensed insurance companies or other insurers; (5) "person" as any individual, group of individuals, corporation, partnership, association, or other organized group, including State and local governments and agencies; and (6) "Secretary" as the Secretary of Housing and Urban Development.



## Chapter I—The National Flood Insurance Program

## Basic authority

**Section 1205(a).**—Authorizes the Secretary of Housing and Urban Development to establish and carry out a program to facilitate the purchase of flood insurance to provide against physical damage to real or personal property resulting from flood.

**Section 1205(b).**—Provides that this program shall be implemented to the maximum extent practicable, through arrangements for financial participation and risk sharing by companies in the private insurance industry, and by other appropriate participation on a non-risk-sharing basis by insurance companies, agents, brokers, or adjustment organizations.

## Scope of program and priorities

**Section 1206(a).**—Authorizes the Secretary to make the flood insurance program available initially for one- to four-family residential properties.

**Section 1206(b).**—Authorizes the Secretary to extend coverage of the flood insurance program when, on the basis of studies and other information, he determines that extension would be feasible. Future coverage of the program could be extended to: (1) Other residential properties, (2) business properties, (3) agricultural properties, (4) properties occupied by private nonprofit organizations, and (5) properties owned by State and local governments and agencies thereof.

**Section 1206(c).**—Provides that flood insurance will be made available in only those States or areas (or subdivisions of areas) which the Secretary determines had evidenced a positive interest in the flood insurance program, and had given satisfactory assurances that by June 30, 1970, permanent land use and control measures, consistent with criteria prescribed in section 1261, or for land management and use, have been adopted, and that application and enforcement of these measures would commence as soon as technical information on floodways and on controlling flood elevations was available.

This would not require the same land management and use measures for all areas, since these measures must meet the particular flood problems of each area.

## Nature and limitation of insurance coverage

**Section 1207(a).**—Authorizes the Secretary, after consultation with the flood insurance advisory committee, and representatives of the State insurance commissioners, to provide by regulation for the general terms and conditions of insurability applicable to properties eligible for flood insurance. A representative organization of all State insurance authorities, such as the National Association of Insurance Commissioners, will be called upon for purposes of consulting State insurance authorities. These terms and conditions will include the types and locations of eligible properties; the nature and limits of insurable losses; the classification, limitation, and rejection of risks; and appropriate minimum premiums and loss-deductibles.

**Section 1207(b).**—Provides that insurance coverage for one- to four-family residential properties will be limited to \$15,000 aggregate liability for any dwelling unit and \$30,000 for any dwelling structure of from two to four units. Liability for personal property will be limited to \$5,000 for the contents of each dwelling unit. Both real property and contents will be subject to an appropriate loss-deductible clause. For any other properties which will become eligible for flood insurance coverage in the future (such as small business properties), the aggregate liability for any single structure will be \$30,000. These limits will apply to any insurance sold at premiums below full actuarial cost. Insurance coverage could be doubled under this section, but any excess over the limits specified will require the payment of premium rates at full cost.

## Estimates of premium rates

**Section 1208(a).**—Authorizes the Secretary, on the basis of studies and investigations, to estimate on an area, subdivision, or other appropriate basis: (1) Risk premium (full cost) rates for flood insurance, (2) the rate (at below full cost, if necessary) which would be reasonable, would encourage the purchase of flood insurance, and would be consistent with the purposes of the act, and (3) the extent to which federally assisted or other flood protection measures initiated after the effective date of the act affect the estimates of rates mentioned in (1) and (2). The Secretary will base estimates of risk premium rates on a consideration of the risks involved and accepted actuarial principles. The rates will reflect applicable operating costs and allowances of participating private insurers, and, on a discretionary basis, non-developmental Federal administrative expenses which may be incurred in carrying out the flood insurance program.

**Section 1208(b).**—Provides that, in conducting the necessary rate studies and investigations, the Secretary shall, to the extent feasible, utilize the services, or a reimbursement basis, of the Army Corps of Engineers, the Geological Survey, the Soil Conservation Service, the Environmental Science Services Administration, the Tennessee Valley Authority, and other appropriate Federal departments and agencies.

**Section 1208(c).**—Requires the Secretary to give priority to those States or areas that have evidenced a positive interest in flood insurance, in making rate studies and investigations.

## Establishment of chargeable premium rates

**Section 1209(a).**—Authorizes the Secretary, after consultation with the flood insurance advisory committee and representatives of the State insurance authorities, to establish chargeable premium rates and the areas, terms and conditions for the application of such rates. Rates will be determined on the basis of estimates made under section 1208 and other necessary information.

**Section 1209(b).**—Provides that, in prescribing chargeable rates, the Secretary shall be guided by a number of factors, including the consideration of the respective risks involved, the differences in risk due to land use measures, floodproofing, flood forecasting and similar measures. The Secretary would be authorized to prescribe chargeable rates at reasonable levels, lower than those at full cost where necessary, in order to encourage the purchase of flood insurance. In low-risk areas the chargeable rate for existing properties will be the same or close to the estimated full cost rate. The higher the flood risk for an area, the lower the chargeable rate would be, in relation to the estimated full-cost rate. Under this section, all chargeable rates will be stated so as to reflect their basis, including any differences from the estimated full-cost risk premium rates.

**Section 1209(c).**—Provides that after an area has been identified as being flood-prone and this information was published in the area, then newly constructed property or substantially improved property can be insured only at rates which are not less than the estimated (full cost) risk premium rate.

**Section 1209(d).**—Provides that where any chargeable premium rate is equal to the estimated risk premium rate (full cost) for the area, and if the rates include any amount for administrative expenses of the Federal Government in carrying out the flood insurance program (in the Secretary's discretion under section 1208), a sum equal to that amount is to be paid to the Secretary to be deposited in the insurance fund.

## Treasury borrowing authority

**Section 1210(a).**—Provides that the authority vested in the Housing and Home Finance Administrator by section 15(e) of the Federal Flood Insurance Act of 1956 (pertaining to the issue of notes or other obliga-

tions to the Secretary of the Treasury) shall be vested in the Secretary.

**Section 1210(b).**—Requires that borrowed Treasury funds must be deposited in the national flood insurance fund established under section 1211.

## National flood insurance fund

**Section 1211(a).**—Authorizes the Secretary to establish in the U.S. Treasury a national flood insurance fund. Premium equalization payments to the insurance pool, reinsurance claims of the pool, and repayments of borrowed moneys to the Secretary of the Treasury (available from appropriations or reinsurance premiums) will be charged to the fund. Administrative expenses of carrying out the program may also be paid out of the fund.

**Section 1211(b).**—Requires the fund to be credited with: (1) Borrowed Treasury funds, (2) reinsurance premiums payable by the insurance pool, (3) amounts advanced to the fund from appropriations in order to maintain it on adequate levels, (4) interest on the investment of surplus amounts in the fund, (5) administrative expenses included in chargeable premium rates and which have been paid to the Secretary, and (6) receipts from other operations incident to the insurance program; and, in the event the flood insurance program is carried out through the facilities of the Federal Government, the insurance premiums paid.

**Section 1211(c).**—Authorizes the Secretary of the Treasury to invest surplus moneys in the fund in obligations issued or guaranteed by the United States, if: (1) All outstanding obligations have been liquidated, and (2) any outstanding amounts that have been advanced to the fund from appropriations for reinsurance payments to the pool have been credited to that appropriation, with interest accrued at a rate based on the average current yield on outstanding marketable obligations of the United States of comparable maturities.

**Section 1211(d).**—Provides that the fund will be available to finance the operation of the flood insurance program if the Secretary finds that it should, in whole or in part, be carried out through the facilities of the Federal Government, including costs incurred in the adjustment and payment of loss claims and payment of applicable operating costs of private insurers if such companies are involved. Any premiums paid are to be deposited in the fund.

## Operating costs and allowances

**Section 1212(a).**—Directs the Secretary to negotiate with appropriate representatives of the insurance industry, from time to time, for the purpose of prescribing a current schedule of operating costs applicable to risk-sharing and non-risk-sharing participants in the flood insurance program, and a current schedule of operating allowances (profits) applicable to risk-sharing insurers. These schedules will be prescribed in regulations.

**Section 1212(b).**—Specifies that operating costs include: (1) Expense reimbursements covering the expenses of selling and servicing the insurance, (2) reasonable compensation or commissions payable for selling and servicing the insurance, (3) loss adjustment expenses, and (4) other expenses which the Secretary finds were incurred in selling or servicing the insurance. Operating allowances include amounts for profit and contingencies which the Secretary finds reasonable and necessary.

## Payment of claims

**Section 1213.**—Authorizes the Secretary to prescribe regulations establishing methods for the adjustment and payment of claims for losses to property insured under the flood insurance program.

## Dissemination of flood insurance information

**Section 1214.**—Directs the Secretary to make information and data available to the



public and to any State and local agency regarding: (1) The coverage and objectives of the flood insurance program, and (2) estimated and chargeable flood insurance premium rates, and the basis for the difference between such rates.

Prohibition against certain duplications of benefits

**Section 1215(a).**—Contains provisions which will prevent Federal disaster assistance from being made available to compensate for any loss to the extent it is covered by flood insurance. Also provides that no such assistance shall be made available to the extent losses of real or personal property could have been covered (at the maximum limits) if flood insurance was actually available more than 1 year prior to the loss. Authority is provided for the Secretary to prescribe, by regulations, an exception to this latter provision for low-income persons who might otherwise benefit from such assistance.

**Section 1215(b).**—Provides that "Federal disaster assistance" includes any Federal financial assistance made available to any person as a result of: (1) A major disaster, as determined by the President pursuant to "An Act to authorize Federal Assistance to State and local governments in major disasters, and for other purposes" (42 U.S.C. 1855-1855g); (2) a natural disaster, as determined by the Secretary of Agriculture pursuant to section 321 of the Consolidated Farmers Home Administration Act of 1961; (3) a disaster with respect to which loans may be made under section 7(b) of the Small Business Act.

**Section 1215(c).**—Makes the term "financial assistance" as used in section 10 of the Disaster Relief Act of 1966 (which directs that Federal assistance programs be administered to avoid duplication of benefits) include flood insurance.

State and local land use controls

**Section 1216.**—Provides that after June 30, 1970, no new flood insurance coverage (including renewals) will be provided in any area unless an appropriate public body had adopted permanent land use and control measures, with effective enforcement provisions, which the Secretary finds consistent with the comprehensive criteria for land management and use prescribed under section 1261.

Properties in violation of State and local law

**Section 1217.**—Prohibits any new flood insurance (including renewals) for property which violates State or local laws, regulations, or ordinances which are intended to discourage or otherwise restrict land development or occupancy in flood-prone areas.

Coordination with other programs

**Section 1218.**—Directs the Secretary to consult with Federal, State and local agencies having responsibilities for flood control, flood forecasting, and flood damage prevention, in order to assure mutual consistency between the programs of such agencies and the flood insurance program.

Advisory committee

**Section 1219(a).**—Directs the Secretary to appoint a flood insurance advisory committee. The purpose of the committee is to advise the Secretary with respect to the administration of this act and in the preparation of the regulations prescribed in the act.

**Section 1219(b).**—Provides that the committee shall consist of not more than 15 persons selected from: (1) The insurance industry, (2) State and local governments, (3) lending institutions, (4) the home-building industry, and (5) the general public.

**Section 1219(c).**—Provides that committee members, while attending conferences or meetings, will be compensated at a rate fixed by the Secretary not to exceed \$100 a day and to also receive travel and living expenses when serving away from their homes or regular places of business.

Initial program limitations

**Section 1220.**—Provides that the face amount of flood insurance coverage outstanding and in force at any given time cannot exceed \$2.5 billion.

Report to the President

**Section 1221.**—Directs the Secretary to include a report on the operations of the flood insurance program provided for under this act in his annual report to the president for submission to the Congress.

**Chapter II—Organization and Administration of the Flood Insurance Program**

Organization and administration

**Section 1230.**—Directs the Secretary, after such consultation with representatives of the insurance industry as may be necessary, to implement the flood insurance program by providing for an industry program with Federal financial assistance. In the event this program proves unworkable, the Secretary is directed to provide for a Federal program with industry assistance.

Part A—Industry Program With Federal Financial Assistance

Industry flood insurance pool

**Section 1231(a).**—Authorizes the Secretary to encourage and assist private insurers to join together in a pool to provide flood insurance coverage and to participate financially in underwriting the risk assumed and in assuming responsibility for some proportion of claims for losses.

**Section 1231(b).**—Authorizes the Secretary to prescribe requirements for private insurers participating in the pool, including, but not limited to, minimum requirements for capital or surplus or assets.

Agreements with flood insurance pool

**Section 1232(a).**—Authorizes the Secretary to enter into agreements with any insurance pool as he deems necessary to carry out the purposes of this act.

**Section 1232(b).**—Provides that any agreement with a pool shall specify the terms and conditions under which: (1) Risk capital will be available for the adjustment and payment of claims, (2) the pool and its participants will participate in premiums received and profits or losses, (3) the maximum amount of profit which may be realized as established by the Secretary under section 1212, (4) operating costs prescribed under section 1212 and allowances are to be paid, and (5) premium equalization payments and reinsurance claims will be paid.

**Section 1232(c).**—States that the agreements will also contain such provisions as the Secretary finds necessary to assure that: (1) No qualified insurer wishing to participate in the pool will be excluded, (2) insurers participating in the pool will provide continuity of flood insurance coverage, and (3) other insurance companies, agents, and brokers will to the maximum extent practicable be permitted to cooperate with the pool as fiscal agents or otherwise on a non-risk-sharing basis. This section assures that no insurance companies shall be excluded from the program on the basis of considerations such as size.

Judicial Review

**Section 1233.**—Authorizes private insurers participating in the pool to adjust and pay claims for losses and permits any claimant, upon disallowance of a claim, or upon the claimant's refusal to accept the amount allowed on a claim, to institute an action, within 1 year after notice of disallowance is mailed, in the U.S. district court for the district in which the insured property or the major portion of it was situated. Jurisdiction would be conferred on the district court without regard to the amount in controversy. Claimants could also avail themselves of legal remedies in State courts.

Premium equalization payments

**Section 1234(a).**—Directs the Secretary, on such terms and conditions as he shall provide, to make periodic payments to the pool in recognition of any reduction made in chargeable premium rates under estimated risk premium rates in order to provide flood insurance on reasonable terms.

**Section 1234(b).**—Provides that payments for a share of the claims paid in a given period will be based on the aggregate amount of flood insurance retained by the pool after ceding reinsurance in accordance with section 1235.

Subject to the limiting terms and conditions of the basic agreement between the Secretary and the pool under section 1232, the Secretary is also authorized to make payments to the pool for a proportionate amount of applicable operating costs (including only administrative expenses) and allowances on the same ratio basis as used to determine the sharing of claim payments.

**Section 1234(c).**—Authorizes the Secretary to establish designated pay periods and the methods for determining the sum of premiums paid or payable during such periods.

Reinsurance coverage

**Section 1235(a).**—Authorizes the Secretary to take such action as may be necessary to make available reinsurance coverage to the insurance pool for excess losses.

**Section 1235(b).**—Authorizes entering into contracts, agreements or other arrangements to provide reinsurance, in consideration of premiums, fees, or other charges as the Secretary finds necessary to cover anticipated losses.

**Section 1235(c).**—Authorizes the Secretary to negotiate an excess loss agreement with the insurance industry pool whereby claims above a certain limit will be submitted to the Secretary on a portfolio basis, and paid by the Federal Government.

**Section 1235(d).**—Provides that reinsurance claims must be submitted on a portfolio basis, in accordance with terms and conditions as may be established by the Secretary.

**Section 1235(e).**—Provides that such pool shall make no distribution of earnings for a period of up to 5 years based on flood insurance premiums, unless the aggregate cumulative premiums, fees, or other charges established for excess loss reinsurance under subsection (b) and collected for deposit in the national flood insurance fund exceeds the aggregate cumulative expenses paid for reinsurance claims by such fund.

Part B—Government Program

Federal operation of the program

**Section 1240(a).**—Authorizes the Secretary, after consultation with representatives of the insurance industry if he makes a determination that the flood insurance program cannot be effectively carried on through the insurance pool, to take the necessary steps to operate the program through the facilities of the Federal Government, either by: (1) Utilizing insurance companies, other insurers, agents, brokers, and adjustment organizations as fiscal agents of the United States, (2) by utilizing employees of the Department of Housing and Urban Development or other Government employees (by arrangement with the heads of other agencies), or (3) by a combination of alternatives (1) and (2) above.

**Section 1240(b).**—Provides that at least 90 days before an all-Federal program of insurance is entered into by the Secretary, during all of which time Congress shall be in session, he shall make a report to the Congress which will: (1) State the reasons for his determination that a program under the industry-Government option in part A cannot be carried out, (2) support such determination by pertinent findings, (3) indicate the extent to which he anticipates the in-



dustry will be utilized in the all-Federal program, and (4) make any other recommendations he deems advisable.

#### Adjustment and payment of claims

**Section 1241.**—Authorizes the Secretary to adjust and pay claims, and authorizes any claimant, upon disallowance of a claim, or upon refusal of the claimant to accept an amount allowed, to institute an action, within 1 year after notice of disallowance or partial disallowance, is mailed, in the U.S. district court for the district in which the insured property or the major portion of it was situated. Jurisdiction would be conferred on the district court without regard to the amount in controversy.

#### Part C—Provisions of General Applicability

##### Services by insurance industry

**Section 1245(a).**—Provides legal authority for the Secretary to enter into the necessary arrangements with the insurance industry to implement the flood insurance program set forth in the act, including provisions for payment of applicable operating costs and allowances for such facilities and services.

**Section 1245(b).**—Exempts any such arrangements from any provisions of Federal law requiring competitive bids or requiring that contracts or purchases of supplies or services by the Federal Government be made only after advertisement is provided for a sufficient time to allow competitive proposals to be made.

Use of insurance pools, companies, or other private organizations for certain payments

**Section 1246(a).**—Authorizes the Secretary to enter into contracts with any pool, insurance companies, or other private organizations he finds acceptable for use as fiscal intermediaries. Such intermediaries could (1) estimate and determine amounts of Federal payments, and (2) audit participating insurers, agents, brokers, or adjustment organizations, as may be necessary to assure that proper payments are made.

**Section 1246(b).**—Provide that any contract may contain provisions necessary to carry out the Secretary's responsibilities, under the provisions of the act.

**Section 1246(c).**—Provides that contracts authorized by this section would be exempted from any provisions of Federal law requiring competitive bidding or requiring that contracts or purchases of supplies or services by the Federal Government be made only after advertisement is provided for a sufficient time to allow competitive proposals to be made.

**Section 1246(d).**—Requires a finding by the Secretary that the contracting party can perform its obligations efficiently and effectively before a contract can be entered into.

**Section 1246(e).**—Provides that the Secretary is authorized to require a safety bond from any organization performing responsibilities under the authority granted and any of its officers and employees. No individual designated to certify payments will be liable with respect to payments certified by him in the absence of gross negligence or intent to defraud the United States. No officer disbursing funds in accordance with a proper certification of payments would be liable with respect to such payments in the absence of gross negligence or intent to defraud the United States.

**Section 1246(f).**—Specifies that contracts will be automatically renewable from year to year in the absence of notice from either party as to termination, except that the Secretary may terminate a contract after reasonable notice if he determines that the other party has substantially failed in its obligations or in carrying them out in a manner inconsistent with the efficient and effective administration of the flood insurance program.

##### Settlement and arbitration

**Section 1247(a).**—Authorizes the Secretary to make final determination and settlement

of any claims arising from the financial transactions which he is authorized to carry out under the act. The Secretary may, however, refer such disputes to arbitration.

**Section 1247(b).**—Specifies that this arbitration would only be advisory in nature.

##### Records and audit

**Section 1248(a).**—Provides that any flood insurance pool receiving financial assistance under the program, and any pool, company, or other private organization which has entered into any contract, agreement, or other arrangement with the Secretary under parts B and C of chapter II, shall keep such records as the Secretary prescribes. Such records are to fully disclose the total costs of the programs undertaken or services rendered, so as to facilitate an effective audit.

**Section 1248(b).**—Provides that the Comptroller General and the Secretary (or their duly authorized representatives shall have access to any books, documents, papers, and records of the pool, insurance company or other private organizations, which are pertinent to the costs of the programs set forth in this act.

#### Chapter III—Coordination of flood insurance with land-management programs in flood-prone areas

##### Identification of flood-prone areas

**Section 1260.**—Authorizes the Secretary, utilizing the Army Corps of Engineers, the Geological Survey, the Soil Conservation Service, the Environmental Science Services Administration, TVA, and other Federal departments and agencies, to identify and publish information within 5 years after the effective date of the act with respect to all flood plain areas, including coastal areas in the United States, which have special flood hazards. The Secretary is also required to establish within 15 years, flood risk zones in these areas and to make estimates with respect to the rates of probable flood-caused loss for the various flood risk zones for each area.

##### Criteria for land management and use

**Section 1261(a).**—Authorizes the Secretary to carry out studies or investigations with regard to the adequacy of State and local measures in flood-prone areas, as to land management and use, flood control, flood zoning, and flood damage prevention.

**Section 1261(b).**—Provides that these studies and investigations deal with laws, regulations or ordinances relating to encroachments and obstructions on stream channels and floodways, the orderly development and use of flood plains of rivers or streams, floodway encroachment lines or flood plain zoning, building codes, building permits, and subdivisions or other building restrictions.

**Section 1261(c).**—Provides that based on his studies and investigation, the Secretary is authorized to develop comprehensive criteria designed to encourage, where necessary, the adoption of permanent State or local measures which will lessen the exposure of property and facilities to flood losses, improve the long-range management and use of flood-prone areas, and inhibit, to the maximum extent feasible, unplanned and economically unjustifiable future development in such areas. The Secretary is also authorized to work closely with and provide any necessary technical assistance to State, interstate, and local governmental agencies to encourage the application of such criteria and the adoption and enforcement of such measures as may be necessary to help in reducing any unnecessary damages resulting from floods.

##### Purchase of certain insured properties

**Section 1262.**—Authorizes the Secretary to negotiate with owners of real property covered by flood insurance which are located in any flood-risk area, and damaged substantially beyond repair by flood, for the purchase

of such property. The Secretary is then authorized to transfer such property to those State or local agencies agreeing to use the property for at least 40 years for those purposes as the Secretary may, by regulation, determine to be consistent with sound land use and management. This authority is voluntary and no property owner would be required to sell or lease his property to the Secretary.

#### Chapter IV—Appropriations and miscellaneous provisions

##### Studies of other natural disasters

**Section 1270(a).**—Authorizes the Secretary to make studies to determine the extent to which insurance protection against earthquakes or other natural disasters is not available and the feasibility of making such protection available.

**Section 1270(b).**—Provides that studies under this section be made in cooperation with other Federal, State, or local agencies, and authorizes the Secretary to enter into agreements for the conduct of such studies with other Federal agencies, on a reimbursement basis, or with State and local agencies.

##### Payments

**Section 1271.**—Vests discretion in the Secretary to make payments under this program in advance of their actual need, or by way of reimbursement.

##### Government Corporation Control Act

**Section 1272.**—Makes the provisions of the Government Corporation Control Act applicable in the administration of the flood insurance program to the same extent as applicable to wholly owned Government corporations.

##### Finality of certain financial transactions

**Section 1273.**—Provides that any financial transaction under this act or payment received or made in connection therein shall be final and conclusive upon all officers of the Government.

##### Administrative expenses

**Section 1274.**—Provides that any administrative expenses of the Federal Government in carrying out the flood insurance program may be paid out of appropriated funds.

##### Appropriations

**Section 1275(a).**—Authorizes the appropriations necessary to carry out the flood insurance program, including sums to cover administrative expenses and to reimburse the national flood insurance fund for premium equalization payments and reinsurance claims paid out of the fund.

**Section 1275(b).**—Provides that these funds shall be available without fiscal year limitation.

##### Effective date

**Section 1276.**—Provides for the act to become effective 120 days following the date of enactment, except that the Secretary is authorized to extend the effective date up to 180 days after enactment if he finds conditions necessitate a long preparatory period.

#### TITLE XIII—INTERSTATE LAND SALES

##### Short title

**Section 1301.**—Provides that this title may be cited as "The Interstate Land Sales Full Disclosure Act".

##### Definitions

**Section 1302.**—Defines the terms contained in this title.

##### Exemptions

**Section 1303(a).**—Provides for specific exemptions from the provisions of the act.

**Section 1303(b).**—Provides that the Secretary of HUD may make exemptions from any of the provisions of the act if he finds the coverage is not necessary in the public interest and for the protection of purchasers due to the small amount of the offering or its limited character.



Prohibitions relating to the sale or lease of lots in subdivisions

**Section 1304(a).**—Makes it unlawful for any developer or agent engaged in interstate commerce (1) to sell or lease any lot unless a statement of record is in effect pursuant to section 1307 and a printed property report is furnished to each purchaser in accordance with section 1308; (2) to employ any device, scheme, or artifice to defraud; to obtain money or property by means of a misrepresentation with respect to information in the statement of record or the property report or any other information; or to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit on the purchaser.

**Section 1304(b).**—Provides that a purchaser may revoke a contract or agreement of purchase if he is not given a copy of the property report before or at the time of his signing the contract. Where the purchaser does not receive the property report 48 hours before signing the contract, he may revoke it within 48 hours, unless the purchaser read the property report, and inspected the lot to be purchased before signing the contract and so stipulates in writing.

#### Registration of subdivisions

**Section 1305(a).**—Provides that a subdivision may be registered by filing a statement of record with the Secretary meeting the requirements of the act and the rules and regulations prescribed by the Secretary.

**Section 1305(b).**—Provides for payment to the Secretary by the developer of a registration fee not in excess of \$1,000 in accordance with a schedule to be fixed by regulations of the Secretary.

**Section 1305(c).**—Provides that the filing of a statement of record or an amendment takes place on its receipt accompanied by payment of the fee provided in subsection (b).

**Section 1305(d).**—Requires that information contained in or filed with a statement of record be available to the public under regulations prescribed by the Secretary.

#### Information required in statement of record

**Section 1306.**—Provides that the statement of record shall contain certain information and be accompanied by certain specified documents.

#### Taking effect of statements of record or amendments thereto

**Section 1307(a).**—Provides that a statement of record, or any amendment, shall take effect on the 30th day after filing or at an earlier date if the Secretary so determines. When additional lands are offered for disposition, a developer may consolidate the statement with any prior statement of record offering subdivided land under the same promotional plan.

**Section 1307(b).**—Provides that the Secretary advise the developer within a reasonable time if the statement is materially defective. Such notification suspends the effective date until 30 days after a corrective filing is made. The developer may, however, request a hearing which must be held within 20 days of the Secretary's receipt of the request.

**Section 1307(c).**—Requires the developer to file an amendment to a statement if any change occurs subsequent to its effective date which affects any material fact required to be contained in the statement.

**Section 1307(d).**—Permits the Secretary to suspend a statement of record if it appears to him that it includes an untrue statement of a material fact or omits to state a material fact required to be stated or necessary to make the statement not misleading.

**Section 1307(e).**—Empowers the Secretary to make an examination to determine whether an order should be issued under subsection (d) and allows him to have access to and demand production of any relative

books and papers of the developer, his agent, or any other person when the matter is relevant to the examination.

**Section 1307(f).**—Permits any notice required under section 1307 to be sent to or served on the developer or his authorized agent.

#### Information required in property report

**Section 1308(a).**—Provides that a property report shall contain any information in the statement of record that the Secretary deems necessary, as well as any other information prescribed under rules and regulations of the Secretary as necessary or appropriate.

**Section 1308(b).**—Requires that the property report not be used for any promotional purposes before the statement of record becomes effective and then only if used in its entirety. States that no person may advertise or represent that the Secretary approves or recommends the subdivision.

#### Cooperation with State authorities

**Section 1309(a).**—Provides that the Secretary of Housing and Urban Development shall cooperate with State authorities responsible for regulating the sale of lots in subdivisions subject to the act. It permits the Secretary to accept for filing under, and declare effective as a statement of record, material filed with and found acceptable by such authorities.

**Section 1309(b).**—Provides that nothing in the act shall affect the jurisdiction of any State real estate commission.

#### Civil liabilities

**Section 1310.**—Provides for civil liabilities against a developer or agent who sells or leases lots in a subdivision in violation of the provisions of the act.

#### Court review of orders

**Section 1311(a).**—Permits any person aggrieved by an order or determination of the Secretary, which was issued after a hearing, to obtain review in the U.S. court of appeals for the circuit in which the person resides or has his principal place of business or in the U.S. Court of Appeals for the District of Columbia.

**Section 1311(b).**—Provides that commencement of proceedings under subsection (a) will not stay the Secretary's order unless specifically ordered by the court.

#### Limitation of actions

**Section 1312.**—Bars the bringing of an action to enforce any liability created under section 1310 (a) or (b) (2) unless it is brought within 1 year after discovery of the untrue statement or the omission or after the discovery should have been made. If the action is to enforce a liability established under section 1310(b) (1), it must be brought within 2 years after the violation upon which it is based. No action under the act may be brought more than 3 years after the sale or lease of the property.

#### Contrary stipulations void

**Section 1313.**—Provides that any condition, stipulation, or provision requiring a person to waive compliance with the act, or rules and regulations of the Secretary pursuant to it, shall be void.

#### Additional remedies

**Section 1314.**—Provides that rights and remedies under the act are in addition to other rights and remedies at law or equity. Investigations, injunctions, and prosecution of offenses

**Section 1315(a).**—Authorizes the Secretary to file suit to prohibit violations of the act or any rule or regulation promulgated pursuant to the act in any U.S. district court or in the U.S. District Court for the District of Columbia. The Secretary is also authorized to transmit evidence concerning prohibited acts or practices to the Attorney General who may institute criminal proceedings.

**Section 1315(b).**—Authorizes the Secretary to initiate investigations to determine if any person has violated or is about to violate the act or rules or regulations prescribed pursuant to it.

**Section 1315(c).**—Empowers the Secretary or his designee to administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memorandums, or other records relevant or material to an investigation or proceeding under the act.

**Sections 1315 (d) and (e).**—Provide for enforcement of subpoenas issued by the Secretary in the U.S. district courts and for procedures concerning attendance and testifying at hearings prescribed by the Secretary.

#### Administration

**Section 1316(a).**—Vests authority and responsibility for administering the act in the Secretary of Housing and Urban Development and gives him authority to delegate any functions, duties, and powers under the act to employees of the Department or to boards of such employees in accordance with the provisions of sections 3105, 3344, 3562, and 7521 of title 5 of the United States Code.

**Section 1316(b).**—Requires that hearings be public and appropriate records be kept.

#### Unlawful representations

**Section 1317.**—Provides that the fact that a statement of record has been filed or is in effect does not constitute a finding by the Secretary of Housing and Urban Development that it is true and accurate on its face or that the Secretary has passed on the merits or approved a subdivision.

#### Penalties

**Section 1318.**—Establishes penalties for any person who violates the provisions of the act or any rules any regulations issued pursuant to the provisions of the act. The maximum penalty is a fine of not more than \$5,000 or imprisonment for not more than 5 years, or both.

#### Rules, regulations, and orders

**Section 1319.**—Authorizes the Secretary of Housing and Urban Development to make, issue, amend, and rescind rules, regulations, and orders necessary or appropriate to the exercise of his functions and powers under the act.

#### Jurisdiction of offenses and suits

**Section 1320.**—Provides that the U.S. district courts and the U.S. District Court for the District of Columbia shall have jurisdiction of offenses and violations under the act and the rules and regulations prescribed pursuant to it. It provides these courts concurrent jurisdiction with State courts for all suits in equity or at law to enforce liabilities or duties created by this act.

#### Appropriations

**Section 1321.**—Authorizes appropriation to carry out the purposes of this act.

#### Effective date

**Section 1322.**—Provides that the act shall be effective 180 days after enactment.

#### TITLE XIV—TEN-YEAR HOUSING PROGRAM

**Sections 1401-1404.**—Adds new provisions to the housing laws requiring the President to submit a report, not later than January 15, 1969, containing a 10-year plan for the national housing needs, along with legislative recommendations for fulfilling these needs. In addition, these sections require annual reports to be made by the President on January 15, 1970, and on each succeeding year through 1978 showing the progress made under the plan and the reasons why, if any, the goals set forth in the plan have not been reached along with estimates of the need for the following year. This title also requires a final report to be submitted by January 15, 1979.



## TITLE XV—MISCELLANEOUS

## Model cities

**Section 1501.**—Amends section 111(a) of the Demonstration Cities and Metropolitan Development Act of 1966 to authorize an appropriation of \$1 billion for the model cities program for fiscal year 1970. In addition, this section adds an authorization of \$12 million for planning assistance and administrative expenses for the demonstration cities program to be made available for fiscal year 1969.

## Urban renewal demonstration grant program

**Section 1502.**—Amends section 314(a) of the Housing Act of 1954 to permit demonstration grants to be made to nonprofit organizations for carrying on demonstration projects and other activities for the prevention of slum and blight. (Existing law permits grants to public bodies only.) This section provides that such demonstration undertakings by nonprofit organizations must be consistent with any plans of a local public agency. This section also increases the percentage of the Federal grant from two-thirds of project cost to 90-percent of project cost. This section further increases the amount of capital grant funds available for demonstration projects from \$10 million to \$20 million.

## Authorization for urban information and technical assistance services program

**Section 1503.**—Amends section 906 of the Demonstration Cities and Metropolitan Development Act of 1966 to authorize an appropriation of \$5 million for fiscal year 1969 and \$15 million for fiscal year 1970 to carry out the purposes of the "Title IX Program" under which matching grants are made to States to help them provide urban information and technical assistance services to communities of less than 100,000 population.

## Advances in technology in housing and urban development

**Section 1504.**—Amends section 1010(d) of the Demonstration Cities and Metropolitan Act of 1966 to authorize the appropriation of such money as may be necessary to continue the advances in technology in housing and urban development programs authorized under section 1010. This section would also permit the letting of research contracts for periods of up to 4 years instead of the present authorized 2-year period.

## College housing

**Section 1505.**—Amends title IV of the Housing Act of 1950 by adding to the existing college housing 3-percent direct loan program a new program of annual grants to cover the difference between the average annual debt service an educational institution is required to pay on borrowings from private sources and the average annual debt service it would be required to pay under the 3-percent rate presently available under the direct-loan program. Annual grants with respect to any project could be contracted to be made for periods up to 40 years. The total amount of annual contracts contracted to be made for this interest rate subsidy could not exceed \$10 million and this amount would be increased by an additional \$10 million on July 1, 1969.

## Federal-State training programs

**Section 1506.**—Amends sections 801, 802, and 805 of title VIII of the Housing Act of 1964 to expand the program to permit grants to States for the training of subprofessional as well as professional persons who will be employed by nonprofit organizations as well as public organizations in the field of housing and community development. This section would also allow grant assistance to be extended to Guam, American Samoa and the Trust Territory of the Pacific in order to meet the needs of these areas for training capable housing and community development technical and professional personnel.

## Additional assistant Secretary for Housing and Urban Development

**Section 1507.**—Amends the first sentence of section 4(a) of the Department of Housing and Urban Development Act to increase the number of assistant secretaries for such department from five to six.

## International housing

**Section 1508.**—Rewrites section 604 of the Housing Act of 1957 to clarify authority of HUD to: (1) Exchange data on housing and urban development with foreign countries; (2) employ private citizens to participate in intergovernmental and international meetings sponsored or attended by HUD; and (3) accept funds and other donations from international organizations, foreign countries, and private foundations in connection with activities carried on under international housing programs.

## Low-rent public housing—corporate status

**Section 1509 (Technical).**—Amends sections 3 and 17 of the United States Housing Act of 1937 to repeal language which is now obsolete.

## Eligibility for rent supplement payments

**Section 1510.**—Extend eligibility to participate in rent supplement program to two projects in New York City.

## Consolidation of the low-rent public housing in Washington, D.C.

**Section 1511.**—Allows the National Capital Housing Authority in Washington, D.C., to consolidate, pursuant to section 15(6) of the United States Housing Act of 1937, into its annual contributions contract for its 8,423 units of low-rent housing under title II of the District of Columbia Alley Dwelling Act, the operating income and operating expense accounts for its 72 units of low-rent housing under title I of such act.

## Urban renewal project in Garden City, Mich.

**Section 1512.**—Makes local expenditures in construction of the Florence Primary School in Garden City, Mich., eligible as a local grant-in-aid to the Cherry Hill urban renewal project in Garden City, Mich.

## Urban renewal project in Sacramento, Calif.

**Section 1513.**—Makes local expenditures in connection with the construction of a storm drainage stem eligible as a local grant-in-aid to the Capitol Mall Riverfront urban renewal project in Sacramento, Calif.

## Self-help studies

**Section 1514.**—Amends section 207 of the Housing Act of 1961 to permit the Secretary of HUD to include the study of self-help in construction, rehabilitation, and maintenance of housing for low-income persons and families in the low-income housing demonstration program. Also directs Secretary of HUD to make a report to Congress within 1 year after date of enactment of this act, setting forth the results of the self-help studies and demonstrations carried out under section 207 with such recommendations as he deems appropriate.

## Earthquake study

**Section 1515.**—Amends section 5 of the Southeast Hurricane Disaster Relief Act of 1965 to extend the time the Secretary of HUD is required to report his findings and recommendations on earthquake insurance from October 31, 1968 to June 30, 1969.

## Technical amendments

**Section 1516(a).**—Amends section 110(c) of the Housing Act of 1949 to make it clear that urban renewal project funds can be used for "the restoration of acquired properties of historical or architectural value."

**Section 1516(b).**—Amends section 110(d) of the Housing Act of 1949 to make it clear that grant-in-aid credit can be given for expenditures by a public body for the construction of foundations and platforms on air rights sites in urban renewal projects

to the same extent that such work could now be done with project funds.

**Section 1516(c).**—Amends section 110(e) of the Housing Act of 1949 to make it clear that the restoration of historic properties can be carried out as an urban renewal project cost for those projects approved for three-fourths Federal grant assistance on a limited project cost basis.

**Section 1516(d).**—Amends section 1101(c) (3) of the National Housing Act to permit amortization of the mortgage term under the medical group practice facilities program to commence after completion of construction of the facility rather than at the time the mortgage is executed.

**Section 1516(e).**—Amends section 213(o) of the National Housing Act to clarify the authority of the Secretary to invest all moneys, not currently needed for the operation of the cooperative management housing insurance fund, in Government bonds or obligations, or in the purchase on the open market of debentures which are the obligation of the fund.

**Section 1516(f).**—Amends section 810(e) of the National Housing Act to permit an individual, who is approved by the Secretary, to be a mortgagor under the FHA section 810 housing program for military personnel or employees or personnel of NASA or AEC research or development installations.

## Home Owners' Loan Act of 1933

**Section 1517(a).**—Amends section 5(c) of the Home Owners' Loan Act of 1933 to authorize Federal savings and loan associations to invest in time deposits or certificates of deposit in banks insured by the FDIC under regulations issued by the Federal Home Loan Bank Board and also amends section 5(c) to broaden the authority of a Federal savings and loan association to invest up to 1 percent of its assets in loans guaranteed by the Agency for International Development to help finance housing projects or home financing institutions in developing nations outside of Latin America.

**Section 1517(b).**—Amends section 5(c) of the Home Owners' Loan Act of 1933 to permit a Federal savings and loan association to make loans for the construction of new structures related to residential use of the property under the existing exception applicable to property improvement loans.

**Section 1517(c).**—Amends section 5(c) of the Home Owners' Loan Act of 1933 to authorize a Federal savings and loan association to invest in loans to federally supervised financial institutions secured by investments in which the association has statutory authority to invest directly.

## Federal Home Loan Bank Act

**Section 1518.**—Amends section 12 of the Federal Home Loan Bank Act to authorize Federal home loan banks, subject to regulations by the Federal Home Loan Bank Board, to purchase AID-guaranteed housing loans and to sell participations therein to any blank member.

## Federal Reserve Act

**Section 1519.**—Amends section 24 of the Federal Reserve Act to authorize construction loans up to 36 months in length as an exception to the limitation on real estate loans. (Under existing law, such construction loans may not exceed 24 months.)

## PRIVILEGE OF THE FLOOR

Mr. SPARKMAN. Mr. President, I ask unanimous consent that staff members of the Committee on Banking and Currency, including the Housing Subcommittee thereof, be authorized to be on the floor during the consideration of the bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SPARKMAN. Mr. President, on yesterday afternoon, the distinguished



senior from Maine [Mrs. SMITH] asked a question and asked that it be answered in the course of the debate. I should like to answer the question of the Senator from Maine at this time. And if I omit anything, I should like the Senator from Illinois [Mr. PERCY] to feel free to prompt me.

Mr. President, the senior Senator from Maine [Mrs. SMITH] asked in the CONGRESSIONAL RECORD of yesterday, at page S6293, that I list the portions in the committee bill, S. 3497, which were adopted from S. 1592, a bill introduced by the Senator from Illinois [Mr. PERCY], of which the Senator from Maine was a cosponsor, as well as list those portions of S. 1592 which were not included in the committee bill.

Mr. President, I will ask the Senator from Illinois to check me on my statement if I am incorrect. I said that Mrs. SMITH was a cosponsor of the measure. I believe that every Member on the Republican side was a cosponsor, and there were three Democrats in addition to that. Furthermore, the bill was introduced by 112 Members of the House of Representatives. So it had very broad representation. Much of S. 1592 is in the committee bill, S. 3497. Some Senators on the minority side of the aisle have spoken to me about the committee bill, and I said, "Oh, sure, you certainly ought to support it, because you are one of the cosponsors." And that is just about what it amounts to.

Does the Senator from Illinois wish to be recognized?

Mr. PERCY. Mr. President, I should like to comment that not only was the Senator from New York [Mr. JAVITS] exceedingly gracious in working very closely with me on this bill, but also I believe it very important that the Senator from Washington [Mr. MAGNUSON] be recognized. He was an original cosponsor, and, of course, is chairman of the Independent Offices Subcommittee of the Senate Appropriations Committee.

Mr. SPARKMAN. The Senator is correct. I did not name the Democratic Senators, but I do know that there were three Democrats. I do recall that Senator MAGNUSON was one.

As the Senator from Maine knows, S. 1592 proposes the creation of a National Home Ownership Foundation which would have the authority to issue \$2 billion worth of federally guaranteed debentures. The funds raised by the issuance of these debentures would be loaned to local "eligible borrowers"—that is, nonprofit corporations and organizations. In turn, these local organizations would construct or rehabilitate housing units and sell them to families needing housing. When appropriate, an interest rate subsidy would be given to the purchaser.

Funds necessary to provide debt service for the debentures when not paid back to the National Home Ownership Foundation by the homeowner receiving the loan and subsidy would be made up by direct appropriations from the U.S. Treasury.

S. 1592 also proposed that the Foundation would be given very broad au-

thority to give assistance for training and other types of services and counseling that would help lower income families be more responsible homeowners.

As the Senator from Maine knows, several other bills, in addition to S. 1592, were introduced during the first session of the 90th Congress to provide assistance toward helping lower income families become homeowners. The bills, like S. 1592, contained a variety of ways in which such housing would be financed. The committee considered all of these matters and developed a committee bill which encompasses the best ideas for homeownership from all the bills submitted. The committee bill uses the established FHA mortgage insurance programs to promote homeownership rather than giving a nonprofit private foundation Federal guarantee backup for obtaining funds with which to promote housing as was proposed in S. 1592. That is, we did not authorize the issuance of debentures guaranteed by the United States, backed up by the Treasury.

In considering S. 1592, the committee was mainly concerned about giving a completely private nonprofit foundation a \$2 billion bonding authority where the Federal Government would have very little jurisdiction and supervision over any of the activities of the Foundation. The committee, did, however, accept the idea of creating a National Home Ownership Foundation with certain functions for the purpose of providing technical assistance and encouraging local nonprofit groups to sponsor housing programs for lower income families. The committee bill authorizes an appropriation of \$10 million for the Foundation to carry on its activities.

Since S. 1592 and the several other proposals before the committee were aimed toward providing homeownership for lower income families, it would be very difficult to list all of those portions which were included, or not included, from S. 1592 and the other bills in the committee bill.

Since S. 1592 was introduced by Senator PERCY, who is a member of the Banking and Currency Committee and who supports the committee bill, I invite him to elaborate on these remarks, if he wishes, for the benefit of the Senator from Maine.

Personally, I feel that a very refreshing idea was brought to the committee by the proposal of the Senator from Illinois, as embodied in S. 1592. Much of the essence of it was first contained in S. 2700, which the committee reported last year, and now is contained probably to a greater extent—certainly, the interest subsidy is more in line with what he advocated—in the present bill.

Again, I am glad to pay tribute to the distinguished Senator and to all those who joined in sponsoring that bill. It is largely included in the present bill.

Mr. PERCY. Mr. President, will the Senator yield?

Mr. SPARKMAN. I yield.

Mr. PERCY. I will be very happy to study carefully the distinguished Senator's statement.

In quick analysis, from what I have heard, it seems to me that the distin-

guished Senator has fully answered the question. I am happy to respond to the request of Senator SMITH. I was particularly pleased to have her cosponsor the National Home Ownership Foundation Act inasmuch as she is my senior colleague on the Aeronautical and Space Committee as well as chairman of the Republican conference. Her support of the principles embodied in S. 1592 has meant a great deal to me.

The spirit of the committee has been to embrace the principles of S. 1592. In only one point did we actually fail to achieve one important objective of the original bill, and this was in the ability of the National Home Ownership Foundation to issue debentures that would be guaranteed by the Federal Government.

Mr. SPARKMAN. The Senator is correct. The Senator knows that there was considerable question about it in the committee as a whole and downtown—the idea of the Treasury guaranteeing bonds issued by a private corporation. Yet, we said that the program we worked out would give us a chance to try it out, and then we could chart the course in the future.

Mr. PERCY. May I say at that point that no Senator, particularly a freshman Senator from the minority party, could have been given more time and attention on this particular point.

I recall one afternoon last year in a Capitol conference room, when we felt that the whole process of government would slow up because we had so many people from downtown tied up—from HUD, the Federal Reserve, the Treasury, and other agencies—to try to work out this principle.

The committee itself has directed that 6 months after the enactment of this bill, we take another look to see whether sufficient money is flowing into the depressed rural and slum areas of our cities. If we find that mortgage credit is not sufficient to do the job then the committee will come back to take another look, to see how greater capital can be created.

But in the meanwhile, I was very pleased that the principle of partnership and government reinforcement was included in the administration request this year.

Mr. SPARKMAN. The Senator is correct. S. 2700 did not contain that provision, but the new bill does.

Mr. PERCY. At some point in the future, the need may be so great and the impact on the budget so great that if we move ahead with the type of job that must be done we may come back—after we have had experience with the bill and the National Home Ownership Foundation—and give this bonding power to the National Home Ownership Foundation so that it can issue debentures backed up by the Federal Government.

I believe we have proceeded in a cautious, prudent manner, and I am fully satisfied that every consideration has been given to S. 1592. I believe we could have moved ahead faster by giving bonding authority to the Foundation now, but I am willing to wait and see whether or not we have fulfilled the need in the committee bill and to reassess the situation in the future.



Mr. SPARKMAN. I thank the Senator. I appreciate the patience of the Senator from New York in waiting for us to conclude these remarks.

Mr. JAVITS. Mr. President, first I should like to state to the Senator from Alabama that it is I who am indebted to him. I missed the time allocated to me because of a plane difficulty, and hence, quite properly, was called on to await my turn. He has been very gracious, and so have Senator PERCY and Senator TOWER for allowing me to proceed.

#### ECONOMIC POLICIES WHICH AFFECT THE HOMEBUILDING INDUSTRY

Mr. FULBRIGHT. Mr. President, I am pleased to note that title XIV of S. 3497 requires the President to submit to Congress annual reports upon progress in achieving our national goal of "a decent home and a suitable living environment for every American family." This has been our goal since the enactment of the Housing Act of 1949.

The requirements of title XIV are quite similar to a bill which I introduced on August 11, 1966. The purpose of my bill—S. 3714, 89th Congress, second session—was to require public debate of economic policies which affect the homebuilding industry.

I support title XIV wholeheartedly, and I hope that it may result in a national effort to achieve stability and expansion in the production of housing by the thousands of private businessmen engaged in homebuilding.

Mr. President, I ask unanimous consent to have printed in the RECORD: First, the text of my bill, S. 3714; second, excerpts from my remarks in the Senate on August 11, 1966; third, a letter which I wrote to the President of the National Association of Home Builders on October 19, 1966; fourth, an excerpt from the NAHB statement of policy for 1967; and, fifth, an excerpt from pages 119 and 120 of the report (No. 1123) of the Senate Committee on Banking and Currency on S. 3497.

There being no objection, the items were ordered to be printed in the RECORD, as follows:

#### S. 3714

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the program of the President as expressed in his annual message to the Congress shall include statements and recommendations concerning a residential construction goal. In furtherance of the realization of this goal the President shall transmit to the Senate and the House of Representatives, after the beginning of each session of the Congress, but not later than January 20, a report which shall include the following: (1) a statement indicating the minimum number of housing units which should be started during the then current calendar year, or such year and the next following calendar year, in order to be consistent with the program of the President, (2) an indication of the manner in which the law will be administered by the executive agencies to achieve the number of housing units specified under clause (1), and (3) any recommendations for legislative action that the President determines are necessary or desirable in order that the construction of such specified number of housing units may be started.

#### EXCERPTS FROM REMARKS OF SENATOR FULBRIGHT TO THE SENATE, AUGUST 11, 1966

Mr. FULBRIGHT. Mr. President, I congratulate the Senator from Alabama and his colleagues on the Banking and Currency Committee for their continuing attention to the housing needs of the Nation. For several years during my chairmanship of the Banking and Currency Committee, it was my privilege to serve under the capable leadership of the Senator in his capacity as chairman of the Housing Subcommittee—a position which he still holds.

Through these years and through many prior years, the committee was periodically faced with crises in the homebuilding industry, because our economy was allocating an inadequate quantity of savings to home mortgage credit. Time after time, the committee recommended and the Senate passed bills designed to relieve critical shortages of mortgage money. Today we are in the midst of another such crisis.

I intend to support the committee recommendations, and I urge other Senators to do likewise. I believe that the time has come, however, to treat the cause of this recurring ailment rather than to continue ministering doses of aspirin and antihistamines, which merely relieve the unpleasant symptoms.

Mr. President, the drastic curtailment of homebuilding—described in the committee report—is a result of national fiscal and monetary policies. But the effects of these policies on homebuilding are never publicly debated until they have been implemented and their damaging effects have begun to reverberate throughout the economy. We can no longer afford the waste and sacrifice inevitable in a cycle of boom and bust in homebuilding. Roller coasters are for amusement parks and should not be characteristic of an economic system capable of relative stability.

Even a cursory review of the effects of fiscal and monetary policies over the last 20 years will reveal the circumstances under which home mortgage credit will be plentiful or will be scarce. Decisions made by the Federal Reserve Board, by the Treasury Department, by the Bureau of the Budget, by the Department of Housing and Urban Development, and by the Federal Home Loan Bank Board, turn the volume of homebuilding up or down like water from a faucet.

But these policies are never discussed or debated in specific terms until the homebuilding industry is drowning in a sea of tight money and going down for the third time. The present crisis has been foreseeable for many months. Each time that the discount rate is raised, each time that competition for savings causes a rise in yields offered to investors, each time that rates to borrowers are raised, the ultimate effect upon the supply and price of home mortgage credit becomes clearer and more certain. But this effect of monetary and fiscal policies is never discussed specifically in terms of the homebuilding industry.

This unhealthy state of affairs was recognized by the Committee on Banking and Currency in 1960. In that year the committee concluded a 2-year study of home mortgage credit needs anticipated for the present decade. The first recommendation made by the committee was addressed to the problem I am discussing. The committee recognized that fluctuations in home building do not occur by accident.

The committee realized that these fluctuations are foreseeable and are a result of planned monetary and fiscal policies. To oversimplify, these policies require home building to quickly take up the slack when the economy is sagging, and to take it in the neck when the economy is booming.

Mr. President, we can plan better than we have been doing, and the time has come for the Congress to insist upon better planning.

Recommendations No. 1 of the Subcom-

mittee on Housing, April 15, 1960, read in part, as follows:

"The subcommittee recommends . . . an amendment of existing law to require the following annual report from the President: At the beginning of each session of the Congress, the President shall transmit to the Senate and the House of Representatives a report stating, among other things, (1) the minimum number of housing units which should be started during the calendar year, or 2 calendar years following submission of the report, in order to be consistent with the program of the President, (2) the manner in which discretion contained in law will be used by Federal agencies to achieve this minimum number of starts, and (3) recommendations for changes in law which may be required to enable the achievement of this minimum number of starts."

This recommendation was subsequently expressed in bill form—S. 3379 of 1960—and, in modified form was included in the omnibus housing bill of 1960—S. 3670, Senate Report No. 1575. During debate on S. 3670, on June 16, 1960, the provision to require an annual housing goal was deleted from the bill by a vote of 44 to 37. It is interesting to note, Mr. President, that the proposal for an annual housing goal was supported by the late President Kennedy, by President Johnson, and by Vice President HUMPHREY. In fact, a total of 50 Senators voted for or were announced in favor of the proposal, and only 47 Senators voted or were announced in opposition.

Mr. President, I submit that if section 101 of S. 3670 had been enacted into law in 1960, we would not today be debating emergency measures to relieve a critical depression in homebuilding. If section 101 had been enacted, the Congress would have deliberated the economic plans of the President in 1961, 1962, 1963, 1964, 1965, and 1966 as they specifically related to the supply of home mortgage credit, and there would have been appropriate action to maintain stability in this vital economic commodity.

So far as I know, the need for better planning has not attracted attention since 1960. This is because 1966 is the first crisis year since that time—but it will not be the last such crisis, if we continue to let homebuilding be the primary deflator of an overheated economy.

Mr. President, it has been our practice to rely upon economic policies which periodically victimize the homebuilding industry. I propose, that we devise economic policies which promise greater stability in allocating public and private savings to satisfy the growing shelter needs of the Nation.

I considered offering an amendment to the pending bill, but have decided instead to introduce a separate bill which may be studied prior to the next session of Congress. If there is no evidence of improvement in our national economic planning in the Economic Report of the President next January, the Congress should give prompt attention to the enactment of appropriate legislation.

OCTOBER 19, 1966.

Mr. LARRY BLACKMON,  
President, National Association of Home  
Builders, Washington, D.C.

DEAR MR. BLACKMON: Thank you for your letter of October 13 and for your kind remarks concerning my support of housing legislation. I agree with you that action should be taken to relieve the alarming reduction in residential construction, but I am not very hopeful about the prospect for meaningful action in the near future.

It seems clear to me that decisions made by the Treasury, the Bureau of the Budget, and the Federal Reserve Board, throughout 1966, have been made with knowledge that a reduced volume of homebuilding would be an inevitable result. In other words, efforts to deflate an overheated economy have



affected homebuilding in greater proportion than other segments of the economy, and this consequence was foreseeable.

Unfortunately, these decisions were made without any public debate of their effect upon homebuilding, and without any public discussion of alternative deflationary actions. The tremendous cost of the war in Vietnam—now engaging U.S. forces in a dimension exceeded in our history only by WW I and WW II—demands reduced economic activity in non-war related pursuits. Otherwise, the value of the dollar would erode at a faster rate than we are now experiencing.

Perhaps it would have been wiser to have imposed general wage and price controls, or restricted auto production, or deferred highway construction, the space program, and public works projects, or to have chosen a combination of these and other alternatives. The fact of the matter is, however, that none of these alternatives were chosen, and homebuilding is bearing a greater burden as a result.

I suggest, therefore, that it would be more prudent, and certainly more democratic, to discuss and debate national economic policies prior to their adoption and implementation. It is for this reason that I introduced S. 3714, about which we corresponded several months ago.

Based upon present estimates of the course of the war in Vietnam, its demand upon our economy will not diminish in 1967. Consequently, some hard decisions must be made with respect to continuing efforts to maintain national economic stability next year.

If the annual Economic Report to the Congress were to address itself specifically to prospects for homebuilding as estimated to be affected by Federal fiscal and monetary policies, it is possible that courses of action might be chosen which would lessen the burden upon your industry. If not, opportunity would have been afforded to face the issue squarely prior to adoption and implementation of policies predictably depressing to homebuilding.

If you are reluctant to support S. 3714 in its present form, I would be pleased to receive your recommendations for modification.

With best wishes, I am,  
Sincerely yours,

J. W. FULBRIGHT.

[Excerpt from NAHB statement of policy for 1967]

#### IV. NATIONAL HOUSING GOALS

The events of the past year emphasize the need for a statement of specific National Housing Goals to minimize the danger of constant change in the direction of housing without the kind of orderly national debate which should precede any major shift in important public policy.

NAHB will take the lead to establish such goals and to obtain recognition of them by all appropriate Federal, state, and local governments. We will seek the cooperation of all groups in home building and residential finance and all others concerned with housing opportunity for all.

[Excerpt from S. Rept. 1123 on S. 3497]

#### TITLE XIV—10-YEAR HOUSING PROGRAM

##### Declaration of purpose

Section 1401 of the bill declares that the national commitment made in the Housing Act of 1949 to the goal of "a decent home and a suitable living environment for every American family" can best be attained through a definite plan providing for the effective utilization of available resources and capabilities existing in both the public and private sectors of the economy over a fixed period of 10 years.

This statement and finding by Congress would be in furtherance of the policy declared in 1949 and would bring it more into current focus by stressing the need for housing goals in the immediate future as well as for a plan by which they may be brought to public realization. Such a legislative pronouncement would also be in line with the recent proposal by the President to construct 6 million federally assisted housing units for low and moderate income families over the next 10 years.

##### Report outlining plan

Section 1402 of the bill would require the President to make a report to Congress on or before January 15, 1969, setting forth a 10-year plan covering the period June 30, 1968, to June 30, 1978. This plan would contain the number of units anticipated in both the Government-assisted and the conventional markets for each of the 10 years, together with a statement of what reduction in substandard units is expected, an estimate of costs in the various Federal programs for legislative action. The report would also include an estimate of residential mortgage market needs, including availability and flow of mortgage funds, for the coming year, and such other data and recommendations as are deemed pertinent.

##### Periodic reports

Section 1403 of the bill would require annual reports by the President on January 15 of each year, which reports would compare the results for the previous year with the goals set forth in the plan for that year. These annual reports would be required to give reasons for not meeting objectives, if that be the case, and would also set forth any revised objectives as would be necessary, together with an estimate of the availability and flow of mortgage funds. The annual reports would also provide an analysis of the monetary and fiscal policies for the coming calendar year required to carry out the objectives of the plan, and could contain such further legislative recommendations as deemed appropriate by the President.

##### Final report

Section 1404 of the bill would provide for a final report by the President on January 15, 1979 showing in detail the success or failure of the plan and an analysis of the reasons therefor.

The committee believes that there should be unification toward national housing objectives among the several departments and agencies of the Federal Government. While the Department of Housing and Urban Development is primarily involved in this subject, both the Department of Agriculture and the Veterans' Administration have direct contact with the public regarding it. The operations of the Federal Reserve Board respecting the flow of credit and the volume of borrowings permitted through the Federal Home Loan Bank Board, as well as the marketing and purchasing prices and policies of the Federal National Mortgage Association should not be determined or conducted without a view toward achieving some minimum volume of housing production consistent with the need for both housing and general economic stability.

It is the view of the committee that the stating in definite terms of annual minimum housing goals with this added requirement of giving specific reasons in case they are not met, can do much toward achievement of the volume and stability of housing production that is so essential to the orderly growth of the country.

#### ORDER FOR ADJOURNMENT

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that when the Senate completes its business today,

it stand in adjournment until 12 noon on Monday next.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### THE VIETNAMESE PEACE NEGOTIATIONS

Mr. JAVITS. Mr. President, I speak today because I feel a conscientious duty toward our two Ambassadors in Paris, Ambassadors Harriman and Vance, with whom I talked at some length in Paris Tuesday night. I promised them I would make some observations in the Senate based on our talks.

I have just returned from presiding over a meeting of the Political Committee of the North Atlantic Assembly in Brussels, and from conferring in Paris with Ambassadors Harriman and Vance about Vietnam negotiations. Also, I had the great privilege of an audience with His Holiness Pope Paul who has been such a respected and persuasive advocate of peace in Vietnam.

There are certain observations and recommendations on Vietnam which these experiences have induced me to make, and I hope they will be of use to my colleagues and to our Nation.

I found a somewhat more sympathetic attitude in Europe regarding the Vietnam war. While we were being roundly condemned before by many, European criticism is being muted. However, I see no real prospect of material support for our efforts in the war.

There is, however, relief and a sense of confidence in Europe that a beginning has been made to attain the peace. In short, there is an attitude of sympathy in Europe as we carry on the negotiations.

As to the negotiations themselves, our negotiators are Ambassadors of the highest character and proven skill. They are, of course, bound by their brief from Washington and their efforts are subject to what is happening in the war itself so long as it continues. It is about this especially that I wish to speak.

For, we must have a clear idea of what we want to attain to be able to attain it. Also, we must be prepared to hear the other side uttering the abrasive words so typical of the Communists. All the while, the threat of a walkout hangs over the heads of all, as well as the use of the talks for propaganda purposes. This is standard operating procedure for the Communists. Therefore, we must have a basic concept from which we cannot depart even though there is always the risk that negotiations may break off for a time as a result. At the same time, this concept must be of such a basic nature that we are prepared to face a "moment of truth" with the Government of South Vietnam when we may feel that we are willing to make peace on a set of agreed negotiated terms and they may not. That may happen.

What we seek, as I understand it, is to end the war by transferring the struggle to the political forum. Also, that we intend that the political resolution be on a one-man, one-vote basis. In other words, the political forum must be gen-



Mr. MILLER. I thank the Senator for responding. I must say I appreciate his sincere attempt to make a contribution to what is going on. I have some misgivings over it, especially the prospect of a long delayed period of negotiations tying up all our troops over there for 3 or 4 or 5 or perhaps 20 years. I would hope we would have some way of reconciling our differences over a deadline. I think the understanding should be that this is not to be a repetition of what happened in Korea.

Mr. JAVITS. I submit to my colleague that is above personal, let alone party, considerations. One of the main purposes of my speaking is that right now it would be very much wiser to give our people an opportunity to negotiate there without a time deadline than with a deadline. I think that is critical. I have spoken on the floor today because I wanted to get that idea across.

I thank my colleague for his help.

Mr. HART. Mr. President, before the Senator from New York leaves, I want to thank him for the comments he has made. He was thoughtful enough to send us a draft copy of his remarks. What he has had to say, and the timing of it, are excellent.

The one point that had not occurred to me, frankly, and which ought not to be overlooked in the contribution of the Senator from New York is the caution that, in the several years of brutal military action, there remain military men who are deeply convinced that, if they had a little more elbow room, they could prove what they have said all along—that they could achieve victory. The Senator from New York and I have never bought that. I think a most useful point is made when he cautions us to recognize that, human nature being what it is, there are men who have this conviction. It would be tragic if our Ambassadors, Mr. Harriman and Mr. Vance, in support of the President, are to be undermined in any respect by this small group that wants to prove it can bring the war to an end by military victory, which is impossible.

Mr. JAVITS. I thank the Senator for his comments. I really believe there is a chance at Paris to get a serious negotiation. I have tried to chart a course which would help us, if humanly possible, to realize that goal.

Mr. HART. The people of this country want a negotiated peace, and they want it done within reason.

#### NORTH VIETNAM ESCALATES WHILE NEGOTIATING

Mr. MILLER. Mr. President, in today's newspapers we read that the U.S. command in Saigon reports that last week saw 549 more U.S. troops killed in the war in Vietnam, the second highest weekly toll of the war and second only to the 562 killed the week before.

These tragic figures are what the President predicted at the White House last February 1, when he said that cessation of the bombing of North Vietnam would surely lead to more casualties among our troops.

The mounting death toll among our troops, who are bearing the real burden of this war, is the direct result of the escalation by North Vietnam of the flow of troops and war materiel into South Vietnam in response to the President's curtailment of our air campaign over North Vietnam nearly 8 weeks ago.

As I pointed out last Friday and a week ago last Monday, the President's assumption that North Vietnam would not take advantage of our restraint has proved erroneous. Press reports from South Vietnam uniformly indicate that instead of deescalating the flow of troops and war materiel to the south, north Vietnam has escalated the flow. All evidence indicated that this is exactly the kind of response that would be made.

Yesterday the President is reported to have warned North Vietnam that under no circumstances will it be allowed to win on the battlefield while negotiating in Paris. Such a warning is of small comfort to those who have paid and are paying the price for the erroneous assumption of the President that North Vietnam would not take advantage of our restraint. It is not enough. Our fighting forces in South Vietnam should not be exposed to greater peril on the battlefield, even though North Vietnam may not win on the battlefield. They are entitled to maximum protection from the enemy in their battlefield engagements. They should face fewer, not more, invading enemy troops on the battlefield.

Again, for the third time in 2 weeks, I call upon the President to take the American people into his confidence and tell them how North Vietnam has failed to respond to our restraint, has escalated its fighting forces in the south in order to cause greater casualties to our troops. And I again call upon him to make the policy decision, which the Secretary of Defense said would be made if the assumption that North Vietnam would not take advantage of our restraint proved erroneous.

I repeat that this policy decision should be in favor of—and never against—those who fight for freedom in South Vietnam.

#### HOUSING AND URBAN DEVELOPMENT ACT OF 1968

The Senate resumed the consideration of the bill (S. 3497) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development.

Mr. TOWER. Mr. President, the Housing and Urban Development Act of 1968, which we are now taking up for consideration, is the end result of a long and concerted effort by the members of the Committee on Banking and Currency to analyze and come to grips with the housing needs of our Nation's lower-income citizens.

The enormity of the problems facing many of our cities and rural communities does not lend to oversimplified solutions. These problems are real, to be sure, and the fact that we must approach the tasks facing us with every resource at our command goes without saying.

All these problems can, in my opinion, be solved if approached by a direct rather than in a disconcerted manner. We need not be awed by the seeming complexities ahead of us as we strive for solutions. And, likewise, we should not be so awed by the problems of our cities that we abandon objectivity and prudent inquiry in our undertakings in this area.

The problems facing our cities are many, but they did not arise overnight, and they will not be solved overnight. To believe such would only give rise to false hope. Our task is to make as much progress as possible, utilizing such resources as are available to do the job.

I think a good deal of the unrest, the surliness, and the angriness in our cities today has been precipitated by those of us in public life who have promised far more than we can deliver. So it should be understood that what we propose here today is not going to be a panacea, and will not solve everything overnight. However, it certainly is a start; I believe it should be recognized as such.

As our Nation's population has grown over the years, so have the housing needs of our citizens increased. The private sector of our economy has done a magnificent job of producing this housing, and our cities and communities give visible testimony to the fact that this housing is for the most part sufficient by any standard.

But, with the passage of time, there has come deterioration of large numbers of dwelling units. The lag in replacing these structures has been compounded by the increasing need for new units.

As our cities have expanded along with our population growth, great numbers of our families have sought out new and better housing to serve their needs. Much of the housing they have left behind has become outmoded and subject to neglect.

These are the dwellings that in most instances have come to be occupied by families with meager financial resources. Such structures now comprise entire neighborhoods in many of our cities.

Of the approximately 53 million occupied housing units in the United States, some 15 percent are considered substandard. It is estimated that about 75 percent of these substandard units are occupied by families with incomes of \$4,000 or less. These families are the subject of our rightful concern. These are the families most in need of a helping hand if we are to make possible a decent living environment for every one of our citizens.

If there is to be continued Government assistance in the area of housing, these lower income families should be the beneficiaries.

The Government's past record in this area, however, is not in any sense enviable. Those programs now in existence have only served to make many of our needy families wards of the Government. They have displaced more families than they have housed. Entire neighborhoods and the lives of their inhabitants have been disrupted. Housing programs intended to rehouse these families have instead been out of their financial reach.

It is no small wonder that the families living in our deteriorated neighborhoods



have not welcomed the Government's activities. To perpetuate this situation rather than providing better alternatives would be to disregard past experience.

I would urge that those programs bogged down in their shortcomings be made to justify their existence. There is altogether too little effort or inclination in this regard. Instead, programs proliferate and the ones marked by failure continue forward in unrestrained fashion. There must be a point at which we take stock of this unjustifiable trend.

In answer to where we begin and how we do it, I would answer that we must stimulate a response at the local level, unleash the productive capability of the private sector, and involve every single individual in the task at hand.

The human factor is all important. Where there is incentive and opportunity, there will be a response of individual initiative and responsibility. Direct Government involvement should be restrained when it is obvious that the price of its participation will be the inhibiting of this self-initiative.

Such has not been the case in the past, and there are those that would urge even greater reliance on the Government by the individual in the future. I would say to them that now is the time to reverse this misguided philosophy lest it erode the very foundations we should be building upon.

Greater Government involvement is not, I submit, the answer to fulfilling our country's housing needs. We have long been a nation housed by the efforts and resources of the private sector.

There should be a greater effort than ever before to accelerate the involvement of free enterprise and of the individual in solving the problems of our cities, for the Government not only cannot do the job alone but it should not be expected to do so. Every individual in every city and community should be encouraged and afforded the opportunity to participate in and benefit by the private enterprise process. It is this opportunity that we must extend.

This bill has within it several innovative programs for the production of housing for our lower income citizens. These programs hold out promise that such housing can be produced through the efforts of private enterprise, both for rental and ownership purposes.

The committee has prefaced the bill with a "declaration of policy" which calls for the highest priority and emphasis in Government-assisted housing programs for families with incomes so low that they could not otherwise decently house themselves.

By so assisting these families, we have it within our means to insure that the national goal of a decent home and a suitable living environment for every American family will be fulfilled. Our efforts should likewise encourage private enterprise to serve as large a part of the total need as it can in striving for the fulfillment of the goal.

I view the committee's efforts in formulating these programs as possible alternatives to existing programs. We should, I believe, accept, amend, or reject them in this context.

But, most importantly, I would urge that we guard against any trend toward turning our Nation into one predominantly housed by its Government. Similarly, we must not encourage the Government to enter into competition with free enterprise. Government must instead encourage free enterprise. It must encourage all of our citizens to participate in free enterprise.

As the ranking minority member of the committee's Subcommittee on Housing and Urban Affairs, I commend our chairman and my committee colleagues for their diligent efforts during the formulation of this bill.

I think that Senator SPARKMAN is probably the most knowledgeable man in the entire Congress of the United States on this matter.

We experienced an atmosphere of cooperation and cooperation in the consideration of this measure in committee. Where we have disagreed, we have disagreed agreeably.

I believe that we have produced a bill, that, while I might have some disagreements with it, represents the sentiment of the committee.

There are areas of the bill with which I do not concur, and I intend to invite this body's close scrutiny of several of its provisions. I will offer amendments to these provisions.

Overall, however, the thrust of the committee's efforts touches upon an area of vital concern to every member and relates to our national well-being in general. It is my hope that the bill will provide workable solutions to many of the perplexing problems facing our cities and their inhabitants today.

Mr. President, noting that the distinguished Senator from Alabama is present on the floor, I thought I might raise a question or two with him regarding our procedure on the bill.

I am perfectly willing for my part to agree to controlled time on the bill and on any amendments that might be offered.

I wonder if that is the view of the distinguished Senator from Alabama.

Mr. SPARKMAN. Mr. President, may I say to the distinguished Senator from Texas, whom I complimented earlier for the wonderful help and cooperation he gave in preparing the bill and bringing it to the floor, that I surely share those feelings.

I earnestly hope that we can finish the bill before leaving here for the Memorial Day holiday.

Mr. TOWER. I thought it might be a good idea, even though we do not agree on the situation, to mention it here and thus to serve notice on the Senators that this is what we would like to do.

Mr. SPARKMAN. Mr. President, I would like to do so. At some time when it is convenient and when the majority leader is available, I would like to talk with the distinguished Senator from Texas and the majority leader and the minority leader, if he can be present—and if not, certainly we can communicate with him—and see if we cannot evolve some plan that will make it certain that we can bring the measure to a conclusion before the termination of busi-

ness on Wednesday, which does mark the beginning of the Memorial Day holiday.

Mr. TOWER. I believe that if we can agree on a controlled time situation by Monday, that will be helpful.

It is my understanding that the Senator from Alabama thought it would be a good idea if I were to offer one of my amendments and make it the pending business when we come in on Monday?

Mr. SPARKMAN. It is perfectly agreeable to me. I would say that one or two more speeches will be made today.

The Senator from Wisconsin [Mr. PROXMIRE] is prepared to speak. One or two other Senators have indicated to me that they might wish to speak.

I think it would be fine if the amendment were offered.

I did suggest earlier today, in response to inquiries, that it would be my thought that there would be no votes today.

Mr. TOWER. That was my understanding. I can submit the amendment now, at a time when we are not involved in a controlled-time situation. In that way some of our colleagues would be protected.

Mr. SPARKMAN. I think that would be very good.

#### AMENDMENT NO. 822

Mr. TOWER. Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The bill clerk proceeded to state the amendment.

Mr. TOWER. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with and that the amendment be printed at this point in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment, ordered to be printed in the RECORD, is as follows:

On page 3, line 22, strike out "be of lower income" and insert "have an income not in excess of 70 per centum of the limits prescribed by the Secretary for occupants of a project financed with a mortgage insured under section 221(d) (3) which bears interest at the below-market interest rate prescribed in the proviso of section 221(d) (5)."

On page 7, strike out lines 14 through 22, as follows:

"(2) Not more than 20 per centum of the total amount of assistance payments authorized to be contracted to be made pursuant to appropriation Acts shall be contracted to be made on behalf of families whose incomes at the time of their initial occupancy are in excess of 70 per centum of the limits prescribed by the Secretary for occupants of projects financed with mortgages insured under section 221(d) (3) which bear interest at the below-market interest rate prescribed in the proviso of section 221(d) (5)."

On page 7, line 23, strike out "(3)" and insert "(2)".

Mr. PERCY. Mr. President, I rise to speak today on behalf of myself and 39 Senate colleagues who last year sponsored with me S. 1592, the National Home Ownership Foundation Act. They will not be held accountable for all that I am about to say, but I feel certain I do express their deep feelings when I discuss the stabilizing effect that homeownership



can have for low income families in rural and urban America.

The Federal Government has been involved in the housing field for more than 30 years. Since 1934, the Federal Housing Administration has insured more than \$121 billion in mortgages and loans, helped 8,750,000 families to become home owners, aided builders by financing about 1,250,000 apartment units and insured 28,000,000 home improvement loans. Unfortunately most of this effort has been directed toward benefiting middle income non-affluent America. For low-income families, it has made available an estimated 685,000 units of public housing, that have proven of more dubious value.

With all of this activity our Nation's housing supply has not kept pace with demand. An estimated 8.5 million families today live in substandard housing. There are many reasons for this lag in attaining the goal of the 1949 act of a decent home for all Americans. The number of families seeking housing has, of course, dramatically increased. Our economic system has not provided the employment opportunities to all our citizens which would enable them to compete economically for decent housing. Too often the Federal Government's offer of assistance has been only to those persons who qualified as "safe borrowers" living in stabilized communities. Low-income families, or those living in certain declining urban and rural areas seldom qualified as "safe borrowers."

The result is that since the 1930's middle and upper income Americans have increasingly become homeowners. Because lower income citizens have not had this opportunity and low-income rental housing was not readily available, they have gravitated in great numbers to substandard housing in slum areas.

Now we are faced with the need to build more houses in the next 30 years than exist at present in the entire Nation. The future offers a great and difficult challenge which must be met if we are to achieve the goal we all seek.

The Senate Banking and Currency Committee now recommends new legislation which we feel corrects some of the mistakes of the past as well as takes into account the realistic situation of the present. I will not take time to detail all of the various new provisions in the Housing and Urban Development Act of 1968. However, I want to make clear that I do not feel a housing program can hope for success if it does nothing but provide new housing units. When we speak of housing we are speaking of a matter which affects a man and his attitude toward life. We need to think in terms of creating homes, not just housing.

For years there has existed a split between those whose speciality was housing and financing and those concerned primarily with the human matters, such as education, welfare, training, and employment.

Those concerned primarily with housing—the lenders, the insurers, the builders, the planners—customarily think in terms of bricks and mortar, credit records, and balance sheets. Those primarily concerned with people—the teachers,

the social workers, the ministers, neighborhood organization participants, the antipoverty employees—customarily think in terms of human needs, skills, and aspirations.

Unfortunately, there is a cognitive and behavioral gap between these various specialists. The "housing people" frequently fail to perceive the importance of peculiarly human factors, and the "people people" often fail to appreciate sound result is a serious lack of communication and coordinated activity.

Any effort to achieve both human and physical renewal for low-income families and neighborhoods, then, must find a way to bridge this gap between the "housing people" and the "people people." If it does not, the effort will run aground on the shoals which have imperiled public housing and urban renewal, which are often open to the charge of ignoring people, and the many voluntary efforts which have exhibited ignorance of sound business practice.

We must, therefore, consider the need of the "whole man," and provide programs which are comprehensive in scope so as to provide homes, not just housing. I believe that the Housing and Urban Development Act of 1968 reflects an understanding of this concept in that it calls for a coordination and integration of programs related to housing. I support this concept with enthusiasm and hope that other opportunities will be found in future legislation to enlarge upon this philosophy.

Central to the philosophy of many who have drafted housing bills in the past has been private enterprise participation. Unfortunately, however, this has not always worked well. Either insufficient incentives were given to private enterprise or the redtape connected with the programs discouraged even the most enthusiastic from taking part. The result has been that the private participation expected has never been realized. The Housing Act of 1949 stated that governmental assistance should be utilized, where feasible, to enable private enterprise to serve more of the total housing need. In my judgment, the bill now before the Senate meets this goal better than any other of the past. Realistic incentives have been written into the bill to encourage the private sector to participate in the solution of our Nation's housing problems. While we have not solved the entire problem in this bill, I think we have made a good start. The private sector now understands the importance of housing and is anxious to join in the solution of this problem. I am enthusiastic about the participation of the insurance companies in providing \$1 billion of their funds for urban programs. I look forward to the savings and loan industry and the trade union movement as well as private groups such as pension funds joining in and committing a modest percentage of their funds to this important task.

Basic to any new program which purports to assist low-income persons must be the twin concepts of local decision-making and self-help. It is evident to all who read the newspapers that there is a concerted drive in all sectors of our

society to participate in the decisions which affect their own lives. Several provisions in this bill give priority to projects which involve local citizen participation. This is as it should be, for projects, however well designed, that do not involve local citizen participation will be resented and often rejected by the community. Self-help must also be made an ingredient of more of our housing programs. To be truly successful, a housing program ought to offer an opportunity to better oneself through one's own efforts. Most lower income Americans are tired of being given handouts—they simply wish to be given a helping hand to better their life in the manner they have chosen for themselves. By opening up the range of housing choices as well as providing self-help techniques like "sweat equity," this legislation begins to make housing opportunity a more meaningful concept.

It is no secret that I personally feel strongly about offering the opportunity for homeownership to lower income Americans. As I have already pointed out, the Federal Government has done an excellent job through the FHA in making America a nation of homeowners within a relatively short period of time. Unfortunately, however, lower income families and families who reside in declining urban and rural areas have not had this same opportunity. The Housing and Urban Development Act of 1968 will provide the mechanism whereby many families who desire homeownership, but who have not yet had the opportunity can achieve this goal.

What is the tradition of homeownership in our Nation?

The cherished ideal of homeownership has roots as deep and rich as America's heritage itself. Ever since the Pilgrims set foot on Plymouth Rock, it has been an integral part of our way of life.

Long before the rise of the great cities, our forebears came here because America held forth the bountiful promise of land—land a man could afford, land whose produce could make a man independent of the great lord of the estate, land on which a man could build his own home and there raise his family in self-reliance and security.

It is not too soon to provide every possible means that as few as possible shall be without a little portion of land—

Wrote Thomas Jefferson shortly after the creation of the Republic—

The small landholders are the most precious part of the states.

By contrast, our forefathers took a scornful view of tenantry.

Tenantry is unfavorable to freedom—

Wrote Senator Thomas Hart Benton, of Missouri, in 1826—

It lays the foundation for separate orders in society, annihilates the love of country, and weakens the spirit of independence. The tenant has in fact no country, no hearth, no domestic altar, no household god. The freeholder, on the contrary, is the natural supporter of a free government, and it should be the policy of republics to multiply their freeholders, as it is the policy of monarchs to multiply their tenants.

Making the public lands available to homesteaders—



Benton argued—

Brings a price above rubies—a race of virtuous and independent farmers, the true supporters of their country, and the stock from which its best defenders must be drawn.

A year earlier, Benton's native Missouri Legislature had expressed this same basic notion:

Every law, then, which opens before the poor man the way to independence, which lifts him above the grade of a tenant, which gives to him and his children a permanent resting and abiding place on the soil, not only subserves the cause of humanity, but advances and maintains the fundamental principles of our government.

The next quarter century saw a vigorous national debate over ownership and disposition of the public lands. In an impassioned plea to Congress in 1850, signatories of a homestead petition argued that too many Americans were being reduced to "the condition of dependent tenants, of which condition a rapid increase of inequity, pauperism, misery, vice, and crime are the necessary consequences—The expelled aristocracy of European despotisms are buying up our lands for speculation, while American republicans are homeless. The case admits of no delay."

The same year, then-Congressman Andrew Johnson, of Tennessee, movingly articulated the values of homeownership. Speaking of the man helped by the government to own his own home, Johnson said:

You have made the man a better citizen of the community. He becomes qualified to discharge the duties of a freeman. He comes to the ballot-box, and votes without the restraint or fear of some landlord. He is in fact the representative of his own homestead, and is a man, in the enlarged and proper sense of the term.

In recognition of this principle, and in response to the need to make homestead lands available for ownership and settlement to the general public, the landmark Homestead Act was passed in 1862. In the best American tradition, the act made possible the development of one and a half million small family sized farms. As it opened up the Middle West to thousands of families, the Homestead Act contributed greatly toward shaping the political, economic, and social structure of the United States.

In particular, widespread homeownership helped strengthen the base of democracy. As Indiana Congressman Holman put it:

Every new home that is established, the independent possessor of which cultivates his own freehold, is establishing a new republic within the old, and adding a new and strong pillar to the edifice of the state.

Abraham Lincoln, whose administration pledged and passed the Homestead Act, was a firm believer in homeownership as an essential element in the American way of life. In a statement of great relevance even today, when city after city is beset by wanton destruction and violence, Lincoln said in 1864:

Let not him who is houseless pull down the house of another; but let him labor diligently and build one for himself, thus by example assuring that his own will be safe from violence when built.

This same theme of our heritage was stressed by California Congressman Coghlan in 1872, when he said:

All history teaches that the landholder is a friend to stable government. He has too much at stake to allow slight causes or chimerical wrongs to lead him into revolt . . . for he knows that revolution may lift the roof from over the heads of his children and even deprive him of the title to his homestead itself. Nor is this all. There is a higher impulse still. Ownership of the land promotes and fosters a pure patriotism. The land owner, no matter how small his domain, by his near relations to the government, by that lively affection for his home that all men feel, is filled with a glowing love for his country and veneration for her laws; for has he not a part and parcel of her soil?

That these latter two statements are so distressingly relevant during our current urban turmoil suggests the historical validity of the principle of homeownership.

The poet, Walt Whitman, saw ownership of homes as a fundamental element in the great America to come when he wrote in 1888:

The final culmination of this vast and varied republic will be the production and perennial establishment of millions of comfortable city homesteads and moderate-sized farms, healthy and independent, single separate ownership, fee simple, life in them complete but cheap, within reach of all.

President Calvin Coolidge expressed it this way:

No greater contribution could be made to the stability of the Nation and the advancement of its ideals than to make it a Nation of homeownership families. . . . All the instrumentalities which have been devised to contribute toward this end, are deserving of encouragement.

President Herbert Hoover went even further in associating homeownership with the American way of life:

A family that owns its home takes a pride in it, maintains it better, gets more pleasure out of it, and has a more wholesome, healthy and happy atmosphere in which to bring up children. The home owner has a constructive aim in life. He works harder outside his home; he spends his leisure time more profitably; and he and his family lead a finer life and enjoy more of the comforts and cultivating influences of our modern civilization. A husband and wife who own their own home are apt to save. They have an interest in the advancement of a social system that permits the individual to store up the fruits of his labor. As direct taxpayers they take a more active part in local government. Above all, the love of home is one of the finest ideals of our people.

A century and more ago, the issue was between freehold and land tenantry. Today, in an increasingly urbanized America the context is changed. No longer do we think of ownership so much as a source of income, but rather as the possession of a valuable consumer good. The underlying principle, so much a part of our national tradition, is the same.

The freeholder of the 19th century becomes the homeowner of the 20th, and the tenant farmer of an earlier era becomes the man with no choice but to rent his dwelling from another. The goal today, as yesterday, is to broaden every man's choice, so that millions of American families who rent, but who yearn to

own, may have a reasonable chance to become owners.

Instead of a sod hut on the open prairie or a log cabin in the forest, his home may be a city house, an apartment in a high rise cooperative building, a condominium unit, or a self-help home in the country. But the values encouraged by homeownership—whether on the prairies of the last century or in the cities, small towns, and rural areas of the modern age, are the same. To them, much of what we call the American way of life may be attributed.

The values of homeownership are many and varied. Perhaps the most basic are the psychological values—the feelings of security, of identity, of "roots" that can come from owning a decent home of one's own.

As Robert Ardrey has written in his recent book "The Territorial Imperative," man, like the other animals, needs a place to call his own. He needs to feel that there is at least one place where he is lord and master, where the decisions are made not by some outside person, but by himself, beholden to no other. The possession of that place helps to give him identity. It gives him the satisfaction of having something and being somebody. It gives him roots and a stake in his community. Renting, while preferred by many for various reasons, can seldom produce these psychological gratifications in equal magnitude. And today, those who stand most in need of those psychological gratifications are those who have the least opportunity for attaining them.

The prospect of owning a decent home of one's own can also be an important means for overcoming the "motivation barrier." Characteristically, lower income families feel that they have little or no control over events and their environment. They see little opportunity for advancing to a happier condition, both economically and socially. Their behavior focuses on immediate desires, often at the expense of attainable long-range rewards. In short, they feel that nothing they do can make a difference.

If a poor man attempts to take charge of his life in an aggressive way, he frequently comes to immediate grief. The complex forces of mass society rebuff his unsophisticated efforts. He is told to go stand in another line. His job is unexpectedly taken over by a machine. He is condescended to and patronized. After several such frustrating experiences, he begins to lose any incentive to invest in himself in expectation of later rewards. He is up against the motivation barrier.

In the matter of housing, the result may be resignation to misery. When the plaster falls on the floor, the landlord can't be found to do something about it. When the superintendent promises to have the hot water back on in a day, it takes a week or a month. These annoying and demoralizing aspects of the tenant's life lead in many cases to sullen fury, manifested in ways ranging from air mail garbage to the molotov cocktail.

But among the poor there are many who have the innate willingness to strive and the capacity to achieve, provided



this motivation barrier can be overcome. This can be achieved by more ways than one. But one way is to show a low-motivation family the realistic prospect of becoming the owner of a decent home or apartment of his own. In actual experience, families have achieved remarkable feats of completing their basic education, of straightening out credit records, of taking training for better paying jobs, of budgeting the family income, and even of changing their life style—merely because of the influence of homeownership or its realistic possibility. In one case on record, a family with no cash income at all—the husband sleeping in a public housing washroom, the mother working in a church kitchen in return for leftover food for her children—became stable homeowners. The prospect of that decent home of their own pulled them together and got them moving up the ladder toward economic security.

Associated with this surmounting of the motivation barrier is the value of independence. A family that owns its own home, even if it is heavily mortgaged, nonetheless enjoys an independence unknown to the tenant. He cannot be bullied or pressured or threatened with eviction—or at least not nearly so easily. He is, in at least one important aspect, his own man.

An important manifestation of homeownership is a visible new pride in the home. The homeowner, not the tenant, puts out flower boxes, manicures the lawn, and paints the trim. He knows that it is up to him, and not to anyone else, to mend the broken window and the rusty gutter, and that the improvements he makes add to the value of his own property. In many lower-income areas resident-owned homes may often be identified by little more than a cursory glance, so evident is the additional care and upkeep lavished upon them. As Prof. George Sternlieb has written in summarizing his investigation of the Newark slums:

The prime generator of good maintenance is owner-residence.

Related to improved maintenance of the individual's home is a respect for the property of others. Homeowners, unlike renters who can walk away from their house or apartment, have an investment. Violence, theft, and vandalism damage that investment. It is thus very much in the homeowners' interest to discourage destruction and to encourage respect for property rights and the law that provides that protection.

Becoming a homeowner requires a certain investment in education. Mortgage financing must be arranged, taxes paid, and insurance contracted for. The homeowner must learn how to deal with minor home maintenance problems and, when they are beyond his competence, to contact the plumber or electrician or other craftsman. He must learn how to pay bills and how to keep track of his expenses. He must learn to project his finances ahead into the future, so that he will have the resources to meet future needs as they arise.

In the course of doing these things the homeowner comes to know a wide range of businessmen. He may learn how to

do business with the insurance agent, the contractor, the mortgage lender, the lawyer, the accountant and the realtor. These interactions educate the home buyer in the American economic system. Its workings appear less mysterious to him. He comes to regard it, on the whole as a system for dealing with human needs through the institution of the marketplace, and not as a conspiracy to plunder his substance. It makes him more practical, more knowledgeable, and less detached from the larger society of which he is a part.

Finally, homeownership can be a powerful contributory influence on good citizenship. The homeowner, for the same reason that he takes better care of his property, takes a greater interest in his community. The condition of his neighborhood becomes of greater concern to him. The responsiveness—and responsibility—of local government and his elected officials assume new relevance. It is his voice, more than the renter's, which is heard at the neighborhood meeting or the city council session. Having a tangible stake in his community, he acquires with it a renewed sense of responsibility as a citizen for the welfare of his community, State, and Nation.

Acquiring homeownership does not automatically instill in a poor man—or one recently poor—all these values. Merely signing a deed and a note does not transform a despairing, alienated slumdweller into a middle-class, aspiring homeowner. But over the long run the fact of homeownership can have an important effect on the family that rose from lower income tenant status to achieve it. That effect will be strengthening and reinforcement of values and behavior patterns long proven to be conducive to the highest ideals of America and the highest welfare of its people.

When the bill which we are considering here today is enacted, the potential for homeownership will be increased many fold. The subsidies provided in the bill, the new tools given to FHA and the multifaceted assistance provided for local organizations by the National Home Ownership Foundation will accelerate progress in this area so that a million Americans can move into a home of their own within the next 3 years that could not possibly have accomplished this "American dream" otherwise.

However, I wish to make it quite clear that the bill by itself does not represent instant homeownership. This bill merely provides the tools with which the private sector can undertake homeownership programs. Without the energetic and innovative participation of bankers, churches, labor unions, savings and loan associations, community organizations, and other private groups, this bill will amount to absolutely nothing. It will be just another housing bill. Now that low-income housing investment represents no greater a risk than other housing investments, the financial community must be willing to invest in these projects. Unions must open their ranks to more Negroes. They have both a moral and a practical obligation to do so for there are simply not enough skilled workers available to meet the present construction needs of

the country, much less the additional 300,000 federally assisted housing units proposed for next year. In short, without the active support and cooperation of all segments of the private sector, this bill will not realize its potential. But with their support and enthusiastic involvement, this legislation can be a new dawn for hundreds of thousands of low-income Americans.

I would like to make a comment at this point about the housing bill in relation to the Poor People's Campaign. The Banking and Currency Committee has worked on this legislation for the past 17 months so that no one can claim that the bill is a direct response to the Poor People's Campaign. However, it is the first major new urban legislation to be considered by the Senate this session. There has been a sense of urgency throughout the committee's deliberations. We began our hearings last year immediately after the Newark riots and began executive sessions this year on a schedule drawn up months before at the time of Dr. King's assassination. There has been sufficient evidence of late of the graveness of our urban problems. These problems will not be basically solved by increasing our police forces, or by special riot training of our National Guard. Our work here today on this housing bill is as important an ingredient to the solution of our urban ills as any that I know.

While housing may not be the total answer to the problems of the urban ghetto, it is an indispensable part of that answer. The National Advisory Commission on Civil Disorders listed three primary factors in Negro unrest: inadequate housing, unemployment, and police practices. Unless the Negro can improve his living conditions within the ghetto and unless we deploy the means whereby he can obtain decent housing in the suburbs, we shall only have additional and more serious urban unrest. By providing the means whereby families can own their own homes, we are providing more than decent shelter. We are permitting individuals to have a sense of pride in themselves. Without pride there can be little self-direction, ambition, and other important motivational factors. We cannot, of course, expect too much from this new program. Public housing has proven how wrong we can be in our understanding of the needs of lower income families and I sincerely hope that this new homeownership program will prove how right we can be.

Behind the presentation of this bill to the Senate lies many months of diligent and arduous work by the members of the Housing and Urban Affairs Subcommittee and the committee staff.

Throughout the deliberations of the subcommittee, two factors were conspicuous: the willingness of all members of the subcommittee to work together to bring out a measure commanding unanimous support, and the absence of partisan differences. The members of the committee were determined to bring forth a workable significant legislative package. The committee's success is a tribute to the leadership of its chairman, the distinguished Senator from Alabama, Senator JOHN SPARKMAN, also



chairman of the Subcommittee on Housing and Urban Affairs, whose industry and patience were essential ingredients. I am deeply in debt to him for his understanding and patience with a freshman member of the subcommittee. The ranking minority member of the committee, my able colleague, Senator WALLACE F. BENNETT, deserves great credit, as does the able, dedicated and creative gentleman from Texas [Mr. TOWER] ranking minority member of the subcommittee who long ago recognized the desirability of homeownership. Through their efforts, and those of the entire membership, the committee has produced a genuine congressional initiative of sufficient importance to refute those who view Congress as a mere handmaiden to the executive branch. I am hopeful that the Senate, in approving this measure, will ratify the committee's initiative and craftsmanship by a vote commensurate with the efforts of the combined committee leadership.

I wish also to commend my colleague in the House, the Honorable WILLIAM WIDNALL, of New Jersey, for the leadership that he and 111 Members of the House had in sponsoring the National Home Ownership Foundation Act last year that contributed so substantially to the omnibus housing bill just reported out by the Housing Subcommittee of the House of Representatives.

Mr. PROXMIRE. Mr. President, I rise to speak on the pending bill as the ranking majority member of the Senate Committee on Banking and Currency and ranking member on the Subcommittee on Housing and Urban Affairs. I am happy to pay tribute to the chairman of the Committee on Banking and Currency, the distinguished Senator from Alabama [Mr. SPARKMAN], who has been Mr. Housing for as long as I have been in the Senate, for 11 years.

The Senator from Alabama has developed well-deserved recognition as an outstanding national expert on housing. He is certainly the Senate expert.

Literally hundreds of thousands of the housing starts we have had over the years are due in no small part to the distinguished Senator from Alabama. He has done a great job on the pending bill. The bill sets many new precedents.

The Senator from Alabama is truly the architect of this major bill.

I also pay tribute to the Senator from Texas [Mr. TOWER], the ranking minority member of the Subcommittee on Housing and Urban Affairs. The Senator from Texas has been a most constructive member of the committee. And, incidentally, he agrees with me, and I believe very strongly, on the necessity for housing legislation, recognizing that the country cannot afford to do everything we would like to do and that we must concentrate primarily on providing an opportunity for housing to become available for those families who cannot afford it.

These are the people who most urgently need it. If we are not careful about the kind of housing legislation we enact, we will be placing an enormous burden on the American people, and we will fail to meet the legitimate needs of the people of our country.

Mr. TOWER. I thank the Senator for his gracious remarks. The efforts of the Senator from Wisconsin with regard to the pending legislation have been tremendously helpful. I thank him for pointing out the very great need for targeting our effort toward the very-low-income families.

Mr. PROXMIRE. Mr. President, other members of the committee have worked very hard on the pending measure.

I should like to say that the Senator from Minnesota [Mr. MONDALE] has been really most inventive about developing the concept of homeownership which is incorporated in the bill. The proposal of the Senator from Minnesota breaks new ground, and I think it will make a great contribution in this field.

The Senator from Illinois [Mr. PERCY] worked, and worked very hard, with the Senator from Minnesota.

I have seen few Senators in the years I have been in the U.S. Senate that have worked harder on a piece of legislation than has the Senator from Illinois on this bill this year and last year in organizing support for his position and testing it over and over again during the debate in the committee and coming up with, I think, a great piece of legislation that will enable hundreds of thousands of poor families who could not possibly now own their own homes to own them.

In owning their own homes, these people will develop a sense of responsibility and motivation which is too often lacking in people who do not possess property.

After 20 years of housing legislation, we still have a most serious problem in this country in respect to housing.

Eighteen years ago, in 1950, there were 4.5 million houses that were classified as dilapidated. I refer to the hard core of slum housing—not just housing that was substandard, but housing that was so dismally poor it fell into the lowest or dilapidated category.

In 1960, 10 years later, there were still 4 million housing units that were classified as dilapidated.

What happened is that 3 million of those 4.5 million units that were classified as dilapidated in 1950 left the inventory of dilapidated housing. However, 2.5 million more dilapidated housing units came into the inventory. So it appears that we have been creating slums almost as rapidly as we have been eliminating them.

It is true that we do not have up-to-date figures that are accurate on the situation that exists in 1968. But I suspect that we are still in pretty much the same situation we were in in 1960. We know that we have millions and millions of Americans living in slums, living in dilapidated, unsafe, unclean conditions, disease-ridden conditions. This is partly because of the legislation which has been passed, much of it with good intent, but legislation that really has wreaked havoc in some cases.

In Newark, in Cleveland, in Chicago, and in many other cities what has happened is that urban renewal has come in with the purpose of eliminating slums, but has literally created them. Over the years since 1950, 385,000 units were demolished but only 42,000 low- and moderate-income houses were con-

structed. This meant that the homes of people were demolished in order to clear the slum area, but instead of those people being able to move into low- and moderate-income housing they could afford, they were just pushed into new slums.

In addition, the FHA redlined the slum areas. This is understandable. I am not blaming the FHA as being poorly motivated, but they felt they had to comply with congressional enactment. That means that in the past, if a ghetto area was considered to be economically unsound, that it was an economic risk to insure housing in the area, even if the homeowner was responsible, hard working, and clearly a good risk, the FHA would not insure the housing there. Under these circumstances, of course, it was difficult or impossible for the slum areas to develop. They could not get FHA insurance. It was very difficult to get financing.

The FHA, as I have said, had followed the policy of redlining—of not going into the ghetto areas. We have corrected that in an amendment I have provided to the bill.

There is not a Member of the Senate—and very few Americans—who does not recognize that rioting not only is completely destructive and vicious but also is a terrible problem for the country. At the same time, we must recognize that one of the causes of riots—one of several, but a very important cause—is that millions of Americans live under conditions which are so revolting, so vicious, and so bad that they seek to protest in this most unfortunate way.

I should also like to point out—because this is something we are trying to develop in the bill, and I have an amendment calculated to meet it—that the cost of construction, the cost of building a home, is high and is rising rapidly. Unless we can find some way to introduce new methods, less expensive methods, more efficient methods of building housing, we will not be able to provide housing for people with low incomes without virtually bankrupting the country. We must find ways and means of constructing homes more cheaply than at present.

Mr. President, we should view this housing measure in relationship to the open housing bill, the great civil rights bill, that recently passed the Senate. It was enacted into law only a few weeks ago. That open housing measure can be an opportunity for minority groups in this country to secure safe and sanitary housing and to live in areas where they can have the kind of fine education so many Americans have, and to live in areas where they will have access to good jobs. In order for that to be possible, they must be in a position to buy their homes or pay rent within their limited income. This bill provides the economic muscle that makes the open housing legislation meaningful.

So, Mr. President, it is clear that a very big job in housing remains. It should also be clear that this bill starts—and I stress "starts," as a small beginning, as a step in a thousand-mile journey—in the right direction.

I believe we should recognize that we cannot achieve big ends—although we



would like to—without spending big money, and we all desire to do what we can to hold down spending. However, to appreciate what this bill would and would not do, it is necessary to see that in the coming year the expenditure impact of all the new programs involved in this massive housing bill—the expenditure impact in the coming fiscal year, beginning July 1—is only \$14 million—not billion dollars, but million dollars. As I have said, this is a beginning. So it is clear that for that kind of money the amount of housing units that can be constructed is only a fraction of 1 percent of what is needed.

I wish to stress the fact that we know from our experience with new programs in the past that the new programs we are now beginning will take years and years to really begin to pay off in new housing units. Approximately 3 years ago we began a rent supplement program. In the first 2½ years of the rent supplement program, in which so much hope and faith had been placed for providing housing for low-income people, how many low-income families were assisted? Through 1967, in the entire country, 400 low-income families were assisted. I say that not out of criticism, necessarily, although I believe some criticism of the administration of the program is merited, but to indicate that this is not the kind of situation in which you pass a bill today and next month solve all sorts of problems. It will not take months but years and years for this bill to have its real effect.

One other example of how slowly these programs operate is the urban renewal program. I am sure that all of us who have viewed urban renewal in our cities know how long it takes to get such a program moving—the court action, the work before the programs are approved, the agreement with local authorities, and so forth, and, then the demolition of the blighted areas. But this is just the beginning. We know how often blighted areas have been demolished, the bulldozer has come in, and then for years those areas—very valuable areas—in our cities have just stood fallow—and by “fallow” I mean the weeds growing up, without any real progress.

Mr. President, the programs we have had in the past—rent supplement, urban renewal, and the other programs—are beginning to move now, and with much more speed. But I say this because I believe we should put all this in perspective and recognize that the housing bill will not have its effect today.

There are reasons why I believe this bill will be the most effective housing bill Congress has ever passed. One reason is that for the first time we are requiring the Administration to specify its goals, not just in terms of new housing starts and the number they want to get in a year, but for every single program. We are requiring that they come forward each year and indicate how many housing programs they expect to have for the low-income people, for the elderly, and so forth, under each program. Then, at the end of the year, we will have a report from them as to how far they have gone to achieve their goals, so that we can compare their goals with

their achievements. We go further. After that is done, we consider why they have not been able to achieve their goal, and the Administration is required to come to Congress and say why they have not done it and what they intend to do about it.

With this type of congressional oversight, and direction, and guidance, we will make some real progress.

In addition, the bill contains a number of other provisions which I intend to discuss in greater detail, but let me say just one more thing with regard to the general approach to this bill. We all recognize that if we are going to get any housing constructed in a big way in this country, the greatest obstacle is high interest rates. As long as interest rates are high, there is a great inhibition against construction; because the interest, even with moderate interest rates, is likely to be at least equal to the cost of the home, over the period that the home is being paid for.

Very few people can take from their pocket or from their bank account enough money to pay for their home. They must get a mortgage, pay off the mortgage, and pay interest on the mortgage; and the cost of interest adds enormously to the cost of the house. We all know that interest rates are now at their highest since the Civil War.

Mr. President, I think that no matter what we do in connection with the tax increase and spending reduction package, and no matter what we do in terms of correcting the balance of payments, the overall situation is such that we are going to have high interest. We hope it will not be as high as it is now, but we will have high interest rates for years to come. This bill has been especially designed to meet that problem. If it did not, it seems to me that whatever the bill provided, we would not get housing constructed because the reality of paying such high interest would prevent it.

I shall now make a few observations about the bill.

Mr. President, I am pleased to support S. 3497, one of the most significant housing bills recommended by the Committee on Banking and Currency in the last 20 years. In 1949, the National Housing Act declared as a national goal the realization of decent, safe, and sanitary housing and a suitable living environment for every American family. Although an improvement in housing conditions has long been a basic Federal policy, our results today fall far short of our objective. As the Kerner Commission on Civil Disorders has pointed out:

In the 31 year history of subsidized Federal housing only about 800,000 units have been constructed, with recent construction averaging about 50,000 units a year. By comparison, over a period of only 3 years longer, FHA insurance guarantees have made possible the construction of 10 million middle or upper class homes.

I believe the time has come for a massive reorientation in our housing programs. We must begin to shift the emphasis toward providing decent housing for lower income families. The evidence has long been abundantly clear that inadequate housing is one of the principle causes in the deterioration of our central

cities. The Kerner Commission listed adequate housing along with jobs and education as the three most pressing problems facing the residents of the urban ghetto.

The Housing bill now before us would make a significant start toward solving the housing problems of lower income families. Although the authorizations are for 2 years, the housing program recommended to the Congress represents the start of a 10-year program for realizing our national housing goals.

For the first time the administration has developed a practical and long range program for solving the housing problems of America. While the Congress over the last 10 years has enacted considerable legislation dealing with housing, the fact remains that the actual accomplishments resulting from this legislation have been sporadic and piecemeal in nature.

Under the 10-year housing program contained in the President's message, 6 million housing units would be constructed for low- and moderate-income families or an average of 600,000 units a year compared to the present rate of 50,000 a year. Mr. President, this is designed to begin a program to increase housing for low- and moderate-income families by twelvefold; not twice, not five times, but twelvefold over the next 10 years. In addition, the plan foresees a total of 26 million housing units over the next decade or an average of 2.5 million units a year.

Mr. President, this is a substantial increase over our present level of housing construction both for lower income families and for the general market as well. It is a bold and ambitious plan; but I believe it is a realistic and achievable plan. The Department of Housing and Urban Development has presented a careful study showing the impact of the 10-year program upon our economy. While our economic resources and the mortgage credit capacity would be stretched, the evidence shows that given the will the problem can be solved over a 10-year period.

Considering the fact that our Nation is spending upwards of \$30 billion a year on the war in Vietnam, it is not realistic that the Congress can suddenly divert billions of additional dollars to solving our problems at home. But nonetheless, I believe this bill represents a substantial step in the direction of realizing our housing goals. Our problems cannot be solved overnight, but we can indicate that we recognize the problem and are taking firm and decisive action to bring about a solution. The frustration and despair of those who live in the ghetto can be lifted if they sense a national commitment to eradicate slum housing. No matter how long or difficult the task may be, today's burden can be made tolerable if one can see the end in sight.

In order to emphasize the long-term approach to our housing problems, I introduced an amendment which was accepted by the committee which would require the President to submit a formal 10-year plan to the Congress next January. This is included in S. 3497 as title 14 beginning on page 283. Each subsequent year, the President would be re-



quired to report to Congress on the progress realized as measured against the plan. Whenever the progress in any year falls short of the plan, the President would be required to indicate the reasons why and to propose specific steps for bringing the plan back on schedule. By focusing annual attention on our housing goals, I believe we stand a much better chance of realizing these goals in an orderly and expeditious manner. The annual report on housing would be comparable in status to the President's Economic Report. It would focus national attention upon the unfinished business of our Nation.

Mr. President, many of our more intricate and complicated weapon systems are programmed over a 10-year period. In the early part of the 1960's we embarked upon a 10-year plan for putting a man on the moon. If we can make a national commitment to put a man on the moon in 10 years, I believe we are equally capable of making a commitment to solving our housing problems in 10 years. There is no reason why Congress cannot use the same management techniques to manage our housing programs which are employed by the Pentagon and the Space Department to manage defense and aerospace programs. I highly recommend title 14 to the Senate and hope that it will be included in the final legislation passed by Congress.

Mr. President, in addition to providing the first increment of a 10-year program, the Housing and Urban Development Act of 1968 constitutes a substantial reorientation of housing programs. The Kerner Commission recommended that our housing programs be reoriented to serve the needs of lower income families. I would like to describe briefly for the Senate several amendments which I proposed along these lines and which are included in the bill:

First. The urban renewal program has been reoriented to concentrate more on low and moderate income housing. This is a program that started out to help people who live in the slums so that they might live in better homes. We know that over the years this has not happened. The committee adopted an amendment I offered to require that at least 50 percent of the housing units created by residential urban renewal projects be for low and moderate income families. Under present law only 20 percent of housing units established under residential urban renewal projects need be for low and moderate income families. Thus, we substantially increased the commitment of the program to the needs of the poor. In the past, the urban renewal program has all too often operated to displace low income families while constructing luxury apartments for upper income families. The Federal bulldozer must be reformed if the urban renewal program is to survive and I believe the Congress and the Department of Housing and Urban Development have made substantial strides in reforming the program.

Second. Language has been included in the report of the committee directing the Department of Housing and Urban Development to concentrate on residen-

tial urban renewal projects as opposed to nonresidential projects. Tall office buildings may please mayors and councilmen but they do not provide housing. In the past, approximately one-half of urban renewal funds went for nonresidential downtown urban renewal. Today, under the strengthened guidelines of the Department of Housing and Urban Development, this percentage has dropped to 32 percent. The committee report language directing the Department to maintain this policy.

Third. The legislation recommended by the Department of Housing and Urban Development would have focused assistance of those families toward the upper and the moderate income level. While we must assure that every family has the ability to obtain a decent home, I believe that the priorities must be shifted first to those on the lower end of the income scale. We need to solve our most pressing problems first before we move on to attack those of a lesser nature. For this reason, I proposed an amendment which was accepted by the committee which limits the income ceilings of those eligible for the new home ownership program and the administration's proposed interest subsidy rental housing program.

The amendment requires that at least 80 percent of the funds made available for these programs be used for families whose incomes are below 70 percent of the present 221(d)(3) income ceilings. This will insure that the benefits of the program will go to those who most need it, while at the same time providing enough flexibility in the program to accommodate the needs of families who live in areas of extremely high construction costs.

Fourth. Title 4 of the bill includes a new program for assisting the families of new communities. The title will provide guarantees for financing new communities. It also provides a program of supplemental grants for local public works projects constructed pursuant to the plan for the new communities. The committee approved an amendment which I offered which conditions such grants upon the construction of a substantial number of housing units for low and moderate income persons. If we are to assist in the planning and establishment of new communities and new towns we must strive to insure that the plan provides for low and moderate income housing as well as upper income housing.

Fifth. Last year in considering S. 2700, the committee approved an amendment I offered which permits the Secretary to waive existing FHA requirements in declining urban neighborhoods, if such waiver is needed to provide adequate housing for low and moderate income families. For many years FHA has concentrated in the suburbs while permitting mortgage credit in the central city to dry up. FHA is not to be entirely blamed since the law now requires that the FHA cannot insure in neighborhoods unless it makes a finding that such neighborhoods are economically sound. Under this legal restriction, FHA has concluded that it lacks the necessary

authority to insure mortgages on a substantial scale in declining urban neighborhoods. By removing this legal restriction, we will insure that the program serves the needs of the poor as well as the needs of the middle class. I am delighted that the administration has endorsed this proposal and has included it in the legislation recommended to the Congress for 1968. The provision is embodied in the bill now before us.

Sixth. Senator PERCY and I introduced an amendment, accepted by the committee, which requires that to the greatest extent feasible opportunities for employment arising in connection with the construction or rehabilitation of housing existing under the low and moderate income housing programs should be given to lower income persons residing in the area of such housing. I believe this provision will serve to reduce the high rate of unemployment in the ghetto which is currently two or three times higher than the national average rate of unemployment.

I believe that these six provisions, taken as a whole, will substantially reorient and reduce the housing and urban development programs to better serve the needs of the poor.

I also want to mention, Mr. President, an amendment I introduced to the national riot insurance program which would extend the existing Federal disaster relief programs to riots and civil disorders as well as natural disasters. This would permit the President to declare a local riot-stricken community eligible for Federal disaster relief aid including emergency debris clearance, temporary housing and shelter, and the replacement of essential public facilities. In addition, the Small Business Administration would be permitted to make 30-year 3-percent loans to homeowners and businessmen affected by the riot.

In addition, if the President declared the area a disaster under the Federal Disaster Relief Act, the Small Business Administration could make loans for working capital purposes as well as to replace damaged plant and equipment.

Also, Mr. President, the Housing and Urban Development Act of 1968 contains a provision which I cosponsored with Senator JAVITS to reduce the pressure on the college housing program. Under the terms of the existing program the Secretary of Housing and Urban Development can make 3 percent direct loans to colleges and universities for the purpose of constructing college housing. The demand for 3-percent loans far exceeds the available supply with a result that many colleges have delayed their housing construction plans in hopes of eventually obtaining a more favorable 3-percent loan. Senator JAVITS and I have offered an alternative approach. It would permit the colleges and universities to obtain financing on the private market. The Department of Housing and Urban Development would be enabled to make annual interest repayments representing the differences between the market rate of interest and 3 percent. This will permit the Department to assist in the financing of several hundred million dollars of college housing while paying only the inter-



est subsidy cost of \$10 million a year. The alternative approach thus substantially reduces the impact of the program on the Federal budget.

By substantial, I mean the cut is by one-thirtieth of what it otherwise would be—even less than that.

Finally, Mr. President, I intend to offer an amendment to provide for a large scale program of experimental housing. The necessity for expanding the experimental housing program was presented to the committee in testimony from former Senator Paul H. Douglas, who is now the Chairman of the President's Commission on Urban Problems. In his testimony, Senator Douglas indicated that if we are to meet our goals of constructing adequate numbers of low income housing units we must achieve substantial technological breakthroughs. Only by lowering the cost of housing can we be sure that those with low incomes will be able to afford decent housing.

This Government cannot afford and will not pay for housing at the enormous cost which is now developing. The only way we can solve it is to effect technological breakthroughs which are practical and positive, and thus save literally billions of dollars in housing legislation in the future.

The amendment, therefore, would permit the Department of Housing and Urban Development to utilize its existing low and moderate income housing programs for experimental purposes. The Secretary would have authority to construct a thousand units a year to develop new housing technology. The housing would be constructed on Federal land or on land in which the laws of the local community permit the construction of experimental housing.

Mr. President, I believe that this bill is a most significant attack on poverty and when enacted will be the most far-reaching achievement of the 90th Congress.

I mean that. It will be the most far-reaching achievement the 90th Congress will have made—although it has made many already.

I am hopeful that following debate it will receive the support of the entire Senate. I want to especially compliment the able leadership of Senator SPARKMAN, the chairman of the Committee, in bringing this legislation to the floor. Every member of the committee had a hand in shaping the bill. Senator PERCY, of Illinois, is to be particularly commended for his constructive participation. More than any other individual he was responsible for emphasizing the importance of homeownership on the part of the low and moderate income families. I also believe that Senator MONDALE played a most useful role in developing this important legislation. Through the long executive sessions, he has developed a unique grasp of our housing problems and is responsible for many effective provisions in the bill. In fact, the entire Committee on Banking and Currency is to be congratulated for its achievement on this legislation.

Mr. WILLIAMS of New Jersey. Mr. President, will the Senator from Wisconsin yield?

Mr. PROXMIRE. I am happy to yield to the Senator from New Jersey.

Mr. WILLIAMS of New Jersey. The Senate is now considering what I am sure is probably the most comprehensive housing bill ever put before it. I ask the Senator from Wisconsin, who has been in the Senate and a member of the Committee on Banking and Currency longer than I have, is that not a fact?

Mr. PROXMIRE. I would agree wholeheartedly that this is the most comprehensive housing bill which the Senate has considered since I came to the Senate. It is not only comprehensive, as the Senator has indicated, but as he knows so well, also breaks new ground.

Let me say to the Senator from New Jersey that there is no more innovative pioneer than the Senator from New Jersey. The remarkable contribution he has made in the area of mass transportation, in open spaces, and in the whole area of housing, has been one in which his inventive mind has been most helpful in committee and, I think, most important for the country.

Mr. WILLIAMS of New Jersey. I appreciate that, but I did not ask the Senator from Wisconsin that question in order to provoke such very kind comments. I certainly appreciate them.

As comprehensive as is the pending bill, it has worked through the committee process of hearings, discussion, debate, and change, most thoughtfully and without acrimony, with our wise and beloved chairman, the Senator from Alabama [Mr. SPARKMAN], at the tiller. We have run the course to final consideration of this most necessary legislation. I do not know of any area of housing which has not been dealt with. We have dealt with the whole matrix of community living, rural, suburban, and city.

As the Senator from Wisconsin mentioned, I have, over the years, been working on some of the programs that can make for a more livable community. We have done so through the committee, in urban transportation, in open space programs, and in others. I shall mention two or three others in a moment, as we can be brief today, while probably there will be additional debate when the bill again comes before the Senate on Monday next.

Mr. President, in its recent report on civil disorders, the Kerner Commission recommended that the Federal Government "bring within the reach of low- and moderate-income families within the next 5 years 6 million new and existing units of decent housing, beginning with 600,000 units in the next year."

Secretary Weaver, in testifying before the Banking and Currency Committee on the administration's housing bill, reiterated this need. The Secretary, however, proposed a 10-year housing program rather than the 5 years recommended by the Kerner Commission and asked for additional authorization of \$662,500,000 for fiscal 1969.

I, for one, prefer the approach recommended by the Kerner Commission. The authorization asked for in S. 3497 provides a bare minimum authorization to carry out the most pressing need for adequate low-income housing

and to rebuild our Nation's ghettos. Any further cuts in the authorization would wipe out the recommendations of the Kerner report.

As a member of the Senate Committee on Banking and Currency, and its Subcommittee on Housing, I serve in a dual capacity. I find myself interested in the overall question of housing policy and the need for adequate housing for all of our people. And, as chairman of the Senate Special Committee on Aging, I share an interest in the housing problems of older Americans. The bill before us makes a number of new approaches to elderly housing, and I would like to comment briefly on these and other aspects of the pending bill.

Section 106 of the bill provides for assistance to nonprofit sponsors of low- and moderate-income housing by making available technical information in the planning stages. Experience has shown that many of the nonprofit sponsors do not have the background or the working knowledge required for adequate planning of their projects.

I am delighted that this provision for assistance has been included in this legislation. It should point the way to greater participation on the part of the nonprofit sponsors of elderly housing in meeting the great need for such housing that now exists.

Turning now to the established housing programs that benefit the elderly, the bill creates a new section 236 under the National Housing Act. This section provides for interest rate subsidies to the buyer. The reliance of the old programs on direct Federal loans has been a restrictive force in the view of the Department of Housing and Urban Development, necessarily limiting the number of projects that become available. I am confident that the new section will go far toward correcting this inadequacy.

For the rent supplement program, the bill provides \$40 million in added contract authority.

In its annual report, the Senate Special Committee on Aging commented on the statue of the rent supplement program:

The experimental provision of the Act allows five per cent of the program funds to be used to assist low-income elderly or handicapped occupants under the Section 202 and 231 programs. At year's end, \$1.7 million of the \$2.1 million available under these programs had been allocated. These commitments covered 124 projects containing 2,800 units, out of an over-all project total of 15,000 units.

I am pleased that the contract authority of this vital program is being increased.

I am also pleased that increases have been provided for the low-rent public housing program. These increases would include \$100 million when this bill becomes law.

One of the longfelt needs of public housing management, Mr. President, concerns providing adequate tenant services to low-income tenants.

A need for upgrading management practices in public housing has also been indicated. Under the terms of the bill, local housing authorities may make application to the Secretary of the Depart-



ment of Housing and Urban Development to receive assistance on a case-by-case basis. This attempt to provide the means to improve the economic and social condition of tenants in need of assistance would bring the most efficient use of available resources.

An interesting part of the bill, dealing with low-rent public housing, permits tenants of such housing to purchase any unit found to be suitable for individual ownership. Mr. President, this extension of the principle of home ownership can have a salutary effect on tenants of public housing. It could bring them a sense of personal involvement and an increased feeling of security.

Before leaving the area of public housing, I would like to mention the provision in the bill for the public housing on Indian reservations. Under existing law, public housing is not permitted to be located on a farm or an extension of a farm site. I hope this will meet part of the difficulty which Indian housing has faced for some time.

The model cities program is now entering its operational phase, and it will begin to make its major contribution to the transformation of America's cities. The bill provides \$12 million in planning grants and technical assistance for fiscal year 1969. In addition, an appropriation authorization of \$1 billion for fiscal 1970 is included.

#### URBAN MASS TRANSPORTATION

When you look around cities such as Washington, Newark, and New York, you see huge building programs with the buildings going up, and up, and up—buildings being built primarily for office space. You then go out into the countryside surrounding these metropolitan centers and you see massive building programs designed to house people. Unfortunately, our means of getting these people from the homes to the buildings where they work, and back home again, has not kept pace with the building of the buildings.

In 1961 we were successful in getting an amendment to the Housing Act which provided the beginning of a mass transit program. Subsequently that program was improved upon, and in 1964 we enacted the Urban Mass Transportation Act. In the bill we have before us I am happy to say that we are continuing to improve upon this program in several ways. For instance, we increase the authorization for grants by \$190 million for fiscal year 1970. This remains but a token effort of the need, when you consider that a 10-year projection of 11 major metropolitan areas shows that \$10.9 billion in capital financing is needed.

The bill also extends the emergency provisions of the program until July 1, 1970. Under these provisions, Federal grants up to 50 percent for mass transportation facilities and equipment is provided for areas not yet able to meet full areawide comprehensive planning and program requirements.

Another provision included in the bill which is sorely needed would allow the private transit company to put up the local share of the money for expanding the local mass transit program. At

the present time, the local share must come from public sources, which discriminates against metropolitan centers which have private, as contrasted to public, transportation systems. It forces the already overburdened city to expend its revenues when the private transit company is usually in a better position to finance the necessary outlay. This amendment would allow any public or private transit company to provide as much as 50 percent of the local share. In a situation where the city can demonstrate that it is fiscally unable to put up any portion of the local share, then the private transit company would be allowed to put up the entire share.

As I said earlier, Mr. President, I believe that these amendments constitute widely needed improvements for our continuing Federal urban mass transportation program.

#### RURAL HOUSING

The rural housing section of the President's Commission on Rural Poverty Report emphasizes the shocking and immediate necessity for housing improvements:

Decent housing is an urgent need of the rural poor. They live in dilapidated, drafty, ramshackle houses that are cold and wet in the winter, leaky and steaming in the summer. Running water, inside toilets, and screened windows are the exception rather than the rule.

The report recognized that solutions for the housing crisis were particularly complicated by the special problems of migrant workers and Spanish-Americans. Migratory farmworkers will be a primary beneficiary of title 10 provisions for direct and insured loans for construction of low rent and cooperative housing. Only in isolated instances has housing been constructed to meet minimum standards of health, safety, and sanitation.

#### NATIONAL FLOOD INSURANCE ACT—TITLE XII

This title represents a joint effort by both the Federal Government and the private property insurance industry to make available a program of flood insurance to occupants of flood-prone areas.

Damages caused by severe floods have been steadily rising in recent years in spite of protective measures taken by the Federal Government. Existing Federal disaster relief programs have been inadequate to deal effectively with the problems encountered by the property owner following severe floods. Subsidized loans from SBA or the Farmers Home Administration, as helpful as they may be, must still be repaid by the borrower. Loans do not compensate the victim as fully as would an insurance program.

The program authorized under this title would be administered by the Department of Housing and Urban Development, but other Government agencies would participate in providing data upon which premium rates would be based. Initially, coverage would only be available for certain residential properties, but later the Secretary could extend coverage to include business and other types of properties.

The facilities of the private insurance industry would be used to the maximum extent practicable to sell and service

flood insurance policies, and they will also commit risk capital to an industry pool which would be used to absorb a share of the losses of the program in heavy flood years. The Federal Government would assist the program by providing premium subsidies to the pool and also by providing reinsurance coverage for losses above a certain point. The insurance companies in the pool would pay a premium to the Government for this reinsurance coverage in years of low-flood losses. Other non-risk-bearing insurance companies could participate in the program as fiscal agents of the Government.

This title is identical to the flood insurance legislation (S. 1985) that was passed by the Senate on September 14, 1967. This legislation was subsequently amended and passed by the House on November 1, 1967. Both the House and the Senate insisted upon their versions of the legislation, and conferees were appointed by both Houses. A conference committee meeting between the two Houses on the legislation was not scheduled.

I believe that this program will fill a serious gap in insurance protection for residents of flood-prone areas. Only under such a program will it be possible for victims of flood disasters to fully recover from the losses which they now incur.

#### INTERSTATE LAND SALES FULL DISCLOSURE ACT

Over the past decade, the interstate sale of undeveloped land has grown to where its annual volume is estimated by some authorities at over \$1 billion. A great number of these sales are made via long-distance telephone conversations or by personal solicitations. In many instances, the purchaser never sees the land he is buying and relies only on the salesman's oral representations. The purchase price may consist of only a small downpayment with monthly installments being as low as \$10 a month. In this manner, many of our citizens, especially the elderly, have pledged millions of dollars for the purchase of land for retirement, investment, or in some instances for sheer speculation. From 1962 through 1966, 481 cases of mail fraud involving the interstate sale of land have been investigated by Federal authorities. As a result of these investigations, it has been estimated that unscrupulous land promoters have caused our citizens to lose approximately \$50 million.

The proposed Interstate Land Sales Full Disclosure Act cosponsored by Senators BIBLE, MONDALE, MOSS, and MUSKIE, which has been developed as the result of 2 years of intensive hearings and consultations with all interested parties, will in my opinion provide this most needed consumer protection. The bill—proposed title XIII of the National Housing Act of 1968—merely requires that where a subdivision of 50 or more lots of undeveloped land is sold pursuant to a common promotional plan, the seller disclose to the buyer full and accurate information. Surely, no one here today would deny such information to purchasers of real estate, many of whom are senior citizens seeking retirement homesites.



Facts are needed in order to make sound business judgments. This bill will help to provide them. That is its only intention. It is not a regulatory statute which will permit the Federal Government to pass upon such questions as land value, its selling price, land use, or zoning. The only purpose of this legislation is to give the purchaser the necessary information upon which he can make his own investment decision.

## CONCLUSION

Mr. President, in closing I would like to point out that this bill goes a considerable way toward fulfilling the words of President Johnson when he said:

The only genuine, long-range solution for what has happened lies in an attack—mounted at every level—upon the conditions that breed despair and violence. All of us know what those conditions are: ignorance, discrimination, slums, poverty, disease, not enough jobs. We should attack these conditions—not because we are frightened by conflict, but because we are fired by conscience.

Mr. SPARKMAN. I commend the distinguished Senator from New Jersey for his very clear presentation of a number of the provisions in the bill. He has been, throughout, one of the most helpful members of the committee.

The distinguished Senator from Virginia [Mr. SPONG], who has been presiding over the Senate this afternoon, likewise has been most helpful, as a member of the Committee on Banking and Currency, in shaping the housing legislation. I commend him publicly for the fine contribution he has made to the cause of better housing.

Mr. President, no other Senators desire to speak on the bill this afternoon.

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

## ADJOURNMENT UNTIL MONDAY

Mr. BYRD of West Virginia. Mr. President, if there is no further business to come before the Senate, I move, in accordance with the previous order, that the Senate stand in adjournment until 12 noon on Monday next.

The motion was agreed to; and (at 3 o'clock and 43 minutes p.m.) the Senate adjourned until Monday, May 27, 1968, at 12 noon.

## NOMINATION

Executive nomination received by the Senate May 24, 1968:

## PUBLIC SERVICE COMMISSION

George A. Avery, of the District of Columbia, to be a member of the Public Service Commission of the District of Columbia for a term of 3 years expiring June 30, 1971. (Reappointment)











# **DIGEST** of Congressional Proceedings

## OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE  
WASHINGTON, D. C. 20250  
OFFICIAL BUSINESS

POSTAGE AND FEES PAID  
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE  
(FOR INFORMATION ONLY;  
NOT TO BE QUOTED OR CITED)

Issued May 28, 1968  
For actions of May 27, 1968  
90th-2nd; No. 91

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HIGHLIGHTS: House passed D. C. extension service bill. Senate debated housing bill.

### SENATE

1. HOUSING. Continued debate on S. 3497, the proposed Housing and Urban Development Act of 1968. pp. S6447-74
2. WATER. The Interior and Insular Affairs Committee reported with an amendment S. 224, to provide for the rehabilitation of the Eklutna project, Alaska (S. Rept. 1147). p. S6423



3. TRUST TERRITORIES. The Interior and Insular Affairs Committee reported with amendments S. 3073, to promote the economic development of the Trust Territory of the Pacific Islands (S. Rept. 1149). p. S6423
4. RECREATION. The Interior and Insular Affairs Committee reported with amendments S. 444, to establish the Flaming Gorge National Recreation Area in the States of Utah and Wyo. (S. Rept. 1150). p. S6423
5. MONEY. The Foreign Relations Committee voted to report (but did not actually report) S. 3423, to provide for U. S. participation in the International Monetary Fund facility based on special drawing rights. p. D485
6. FOREIGN AFFAIRS. The Foreign Relations Committee deferred further action on S. 3378, to increase by \$480 million U. S. participation in the International Development Association. p. D485  
The Foreign Relations Committee decided against reporting an amended version of S. 2479, authorizing \$200 million for a U. S. contribution to multilateral special funds of the Asian Development Bank. p. D485  
Sen. Sparkman inserted an editorial supporting U. S. participation in the International Development Association. pp. S6422-23
7. TAXATION. Sen. Williams, Del., urged action on the excise tax bill and inserted several articles to support his position. pp. S6420-22
8. PERSONNEL. Sen. Nelson was added as a cosponsor of S. 3394, to amend the Military Selective Service Act of 1967 in order to provide for a more equitable system of selecting persons for induction into the Armed Forces. p. S6428
9. FARM PROGRAM. Sen. Young, N. Dak., stated "the financial condition of the farmers of the country...is growing steadily worse" and inserted an editorial "Farmer Deserves a Share in Our National Prosperity." p. S6431
10. WILDLIFE. Sen. Hansen urged support of pending legislation regarding State's rights with respect to resident fish and game animals and inserted an article "Who Owns the Game?--Part I." pp. S6440-1

#### HOUSE

11. EXTENSION SERVICE. Passed with an amendment (to substitute the language of H. R. 15280) S. 1999, to provide an extension service program for the District of Columbia (pp. H4278-79). H.R. 15280, reported with amendment (H.Rept. 1465) District of Columbia Committee on May 24, during adjournment (p. H4321), was passed earlier as reported (pp. H4267-78) after a motion to recommit the bill was rejected by a vote of 84-253 (pp. H4277-8). H.R. 15280 was tabled (p. 4279).  
Rep. Sisk stated the bill would name the Federal City College as the land-grant college for the District of Columbia and listed the following provisions:  
"First. Qualify for a \$50,000 annual grant--under the Morrill Act of 1890 --to be used for instruction in agricultural and mechanic arts, home economics, youth and community development, and so forth.



[From the Washington Sunday Star, May 26, 1968]

# COMPLEXITIES OF FEEDING THE POOR

(By James Welsh)

The job of feeding thousands of participants in the Poor People's Campaign has settled down to a fairly smooth, if complex, operation.

About 3,000 poor persons already have come to Washington for breakfast, lunch and dinner for an indeterminate period.

Their hosts, at mealtimes, are a conglomerate of Washington area chain stores, food manufacturers, churches, educational institutions, public and private agencies and dozens of volunteer workers.

The feeding of Resurrection City's residents, marked by considerable confusion at first, is becoming more like a routine procedure.

For the short term, at least, enough financing and food is assured. About \$1 per person a day is going toward food for the campaign's participants.

More uncertain is what will happen should the Southern Christian Leadership Conference and its followers decide to stay around much longer than June 16, or should their demonstrations get out of hand. These possibilities would pose hard decisions for some of the people running the food operation.

Joseph Danzansky, head of Giant Food, is in charge. In his words, he "kind of fell into this" as the result of heading up the Washington Urban Coalition's ad hoc committee on emergency food following last month's civil disorders.

Once the scope of the task became clear, Danzansky sent out an appeal to other food chains active in the Washington area. Six of them—Giant, Safeway, Grand Union, A & P, Food Fair and American Stores—pledged \$1,000 a week for four weeks. Jumbo Stores and Consumer Co-ops signed on for smaller amounts. The Washington Hotel Association donated \$5,000.

Washington's baking industry is donating 850 loaves of bread a day and the milk industry 1,500 half-pints of milk a day. In addition, through surplus Department of Agriculture supplies, the District Public Welfare Department has available an unlimited supply of a limited variety of basic foods.

"Now," said Danzansky, "the ball seems to be rolling for national participation."

Heinz Products has donated about \$10,000 worth of soup and beans. National Biscuit Co. has come forward with other products.

"They came to us on their own," said Danzansky, "but it gave us the idea to send the word out to other national manufacturers."

Danzansky estimated that \$40,000 in money and produce is available, with the cash funneled through the Health and Welfare Council. Church organizations have raised more money for food—most of it so far has gone to feed people as they stopped in the Washington area before going into the encampment.

Planning the meals, ordering and obtaining the food, preparing it, delivering it to the site and serving it is no idle operation. Nearly 200 persons are engaged in it.

SCLC's man on the scene is Kenneth Brown, a management consultant from New York who is volunteering his time. He and his staff oversee the logistics of getting the food to the site and distributing it. About 50 persons at the tent city help serve meals.

Danzansky has four of his Giant Food staff working full-time on such jobs as ordering and purchasing food. They are augmented by others on loan from Safeway, Grand Union and Hot Shoppes.

Three dietitians are at work on the campaign, one from the welfare department, the other two at Howard University. Residents of Resurrection City usually get cold cereal, fruit juice, rolls and a beverage for break-

fast, a sandwich, fruit, cookies and a beverage for lunch, and a hot meal in the evening.

The meat-and-potatoes portion of the hot meal comes from the Howard kitchens. The vegetables are prepared by volunteers at St. Stephen and the Incarnation Episcopal Church. About 50 volunteers daily prepare sandwiches at St. John's Academy on Military Road. From all these points, trucks rented by SCLC take the food to the camp.

Some of the early arrivals complained that the food was too bland. Steps have been taken to correct this. Said SCLC's Brown:

"Over at St. Stephen's now, they're preparing the soul food—soul beans, soul peas."

What's soul food, Mr. Brown?

"Oh, you know, heavy on the seasoning, a little more pepper, red pepper, hot peppers, some ham or bacon."

Brown expressed belief that "we're doing pretty well," adding that much of the success is due to "a lot of local cooperation."

Danzansky and his group agreed to take on the feeding operation until June 16, when the site permit expires. Their other conditions were that the feeding be limited to the site, the campaign continue in a non-violent fashion and that it remain "within the law."

Said Danzansky: "We have an out." He added quickly that he doesn't know at this point if or under what conditions he would exercise the "out." He said he is trying to stay away from politics of the movement, sticking to the "meeting of a human need."

Asked about the same thing, Brown said: "People have to eat, regardless of contractual agreements." He expressed belief that those involved in the feeding operation are "in deep enough they're going to be making this thing go" whatever the circumstances.

## CONCLUSION OF MORNING BUSINESS

Mr. MANSFIELD. Mr. President, is there further morning business?

The PRESIDING OFFICER. Is there further morning business? If not, morning business is concluded.

## HOUSING AND URBAN DEVELOPMENT ACT OF 1968

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the unfinished business be laid before the Senate.

The PRESIDING OFFICER. The bill will be stated by title.

The BILL CLERK. A bill (S. 3497) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

The PRESIDING OFFICER. What is the will of the Senate?

Mr. WILLIAMS of Delaware. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

## COMMITTEE MEETINGS DURING SENATE SESSION TODAY

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the Committee on Commerce, the Committee on Public Works, and the Committee on Foreign Relations be authorized to meet during the session of the Senate today.

The PRESIDING OFFICER. Without objection, it is so ordered.

## RECESS SUBJECT TO THE CALL OF THE CHAIR

Mr. BYRD of West Virginia. Mr. President, I move that the Senate stand in recess subject to the call of the Chair, with the provision that the recess not extend beyond 1:15 p.m. today.

The motion was agreed to; and thereupon (at 12 o'clock and 42 minutes p.m.) the Senate took a recess subject to the call of the Chair.

The Senate reassembled at 1:08 p.m., when called to order by the Presiding Officer (Mr. BYRD of Virginia in the chair).

## HOUSING AND URBAN DEVELOPMENT ACT OF 1968

The Senate resumed the consideration of the bill (S. 3497) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development.

### UNANIMOUS-CONSENT AGREEMENT

Mr. MANSFIELD. Mr. President, I ask unanimous consent that there be a time limitation of 2 hours on the pending amendment, an hour to each side, the time to be equally divided and to be controlled by the distinguished Senator from Texas [Mr. TOWER] and the distinguished Senator from Wisconsin [Mr. PROXMIRE].

The PRESIDING OFFICER. Is there objection?

Mr. TOWER. Mr. President, reserving the right to object—and I do not intend to object—it is my understanding that the Senator from Massachusetts [Mr. BROOKE] is on his way to the Chamber and would like a little time. Could we give him 15 minutes and then start the controlled-time situation on the amendment when Senator BROOKE has concluded?

Mr. PROXMIRE. I would be happy to give Senator BROOKE 15 minutes from our side.

Mr. TOWER. That is satisfactory.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Montana? The Chair hears none, and it is so ordered.

Mr. TOWER. Mr. President, I ask unanimous consent that I may suggest the absence of a quorum, with the time not to be charged to either side.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. TOWER. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.



Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be reinstituted with the understanding that the time shall not be charged against either side.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. TOWER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### MESSAGE FROM THE HOUSE—ENROLLED BILL AND JOINT RESOLUTION SIGNED

A message from the House of Representatives by Mr. Bartlett, one of its reading clerks, announced that the Speaker had affixed his signature to the following enrolled bill and joint resolution:

S. 1052. An act for the relief of Nicholas S. Cvetan, U.S. Air Force (retired); and

S.J. Res. 168. Joint resolution to authorize the temporary funding of the emergency credit revolving fund.

#### HOUSING AND URBAN DEVELOPMENT ACT OF 1968

The Senate resumed the consideration of the bill (S. 3497) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development.

Mr. PROXMIRE. Mr. President, I am happy to yield 15 minutes to the distinguished Senator from Massachusetts.

Mr. BROOKE. I thank the Senator.

Mr. President, in 1949, the Congress established as a national goal, "a decent home and a suitable living environment for every American family." Last March, the Civil Disorders Commission reported flatly:

After more than three decades of fragmented and grossly underfunded housing programs, nearly six million substandard units remain occupied in the United States.

The Banking and Currency Committee has reported to the Senate a bill which is designed to mobilize both public and private resources to achieve in the next decade that goal set 20 years ago. As a member of both the Civil Disorders Commission and the Committee on Banking and Currency, I wish to express my full and complete support of S. 3497.

S. 3497 can only be described as landmark legislation. It is recognition of the urgent need for decent housing and the comprehensive effort required to meet this need. It is also the product of nearly 2 years' effort on the part of the members of the Housing Subcommittee, Mr. President. I am not a member of the sub-

committee, but I am fully aware of the long hours spent last summer and fall working out the provisions of S. 2700 most of which are incorporated in S. 3497. Recognizing both the seriousness of the present situation and the failure to meet previous goals, the subcommittee reviewed all existing housing legislation and adopted a large number of modifications and revisions. Building on the experience of existing housing programs, the committee authorized new programs and new approaches. As finally reported, S. 3497 represents a comprehensive review and revision of Federal housing programs as well as a series of carefully prepared new programs.

Mr. President, both in subcommittee and in the full committee, there was long and healthy debate about the details of this bill, but there was no debate about the need for the bill. Since the commencement of hearings last July, events have served to underscore the necessity for legislation. A public opinion survey taken shortly after the disorders of last summer found that in the minds of the ghetto residents themselves, lack of decent housing was the single most important reason for frustration and despair. The Civil Disorders Commission Report, issued this past March, provided the statistics to support this reaction: Nationwide, it said, the number of non-whites living in substandard housing actually increased between 1950 and 1960. Despite the fact that 4 million of the 6 million substandard units were occupied by whites, 16 percent of the urban non-white population occupied substandard housing. Negro housing units are more likely to be overcrowded; they are generally older than whites', and Negroes usually pay more for the same housing.

But what is perhaps the most dramatic plea for housing comes not from a group to which housing is ordinarily a primary concern but from the National Education Association. In a letter to the chairman of the Banking and Currency Committee, NEA said:

The best education program, the most highly trained and motivated teachers, and the shiniest new equipment will do little for the child of poverty if he must return to a rat-infested hovel, a one-room apartment illuminated by a single, naked, glaring overhead light; a home in which noise, clutter, and overcrowding rob him of rest, comfort, and any chance for growth as an individual personality.

Mr. President, this is the critical trend which forces us to review old programs and to devise new ones which will truly change these conditions. S. 3497 contains numerous modifications of existing programs, and I will only take time here to review a few. Section 106 authorizes the Secretary of Housing and Urban Development to provide technical and financial assistance to nonprofit sponsors seeking to provide low- and moderate-income housing. Nonprofit sponsors—unions, church congregations, civic groups—are rich in good will but poor in both technical knowledge of housing construction and in capital.

As the Senate is well aware, I have been critical of FHA administration of programs involving nonprofit sponsors. I have found that FHA has sometimes

alienated the nonprofit sponsor by entangling him in a web of redtape and requiring him to provide capital which, in a nonprofit situation, he cannot be expected to have. Section 604 authorizes the Secretary of Housing and Urban Development to provide special assistance to nonprofit sponsors. This includes technical assistance and information as well as interest-free loans, financed from a revolving fund, to cover such costs as architectural and engineering fees, land options, and so forth. With the assistance provided by section 604, programs involving nonprofit sponsors should operate more smoothly, providing more housing in less time.

I have also been critical of FHA's unwillingness to insure and finance projects in our Nation's center cities, the very areas where the housing need is most critical. Section 103 of the pending bill specifically authorized FHA to insure properties in declining urban areas if, in view of the need for adequate housing, these areas are found to be reasonably viable. To finance this higher risk effort as well as some of the bill's new program's, a special risk insurance fund is established by section 104. These two provisions constitute a clear recognition of the urgent need for center city housing, and a directive to HUD to build that housing.

Among other modifications of existing programs is the section 102 credit assistance and counseling program for those families presently unable to qualify for participation in FHA programs. The process of urban renewal will be changed to stress the concept of neighborhood development which allows urban renewal to be conducted on an incremental basis. This will prevent the razing of entire center city areas, which has turned some cities into oversized parking lots. In another important innovation, the committee took a long, hard look at income limitations established for existing programs.

It is apparent that those who benefit most from low and moderate income housing programs, such as 221(d)(3), are those whose income is closest to the maximum allowable. Accordingly, in order to make sure that the new homeownership and rental programs benefit those for whom they are intended, the committee decided to focus the program on lower-income families by placing an income limit of 70 percent of the 221(d)(3) level on 80 percent of the units. In Boston, for example, this means that a family of four or less with an income of \$5,700 would be eligible for assistance in renting or buying a home. A smaller number of four-member families with incomes as high as \$8,200 would also be eligible for some subsidies, since 20 percent of the funds would be allocated according to the higher income standards of the old 221(d)(3) program.

S. 3497 contains a number of new programs, but the two which I feel deserve special mention are amendments to the National Housing Act, the section 235 homeownership program and the section 236 rental program. The concept of homeownership for those of low- and moderate income was first brought into prominence before the Senate by



our dedicated colleague, the junior Senator from Illinois. Since then it has been endorsed by the Civil Disorders Commission, the President's Committee on Urban Housing, and the Department of Housing and Urban Development.

The proposed homeownership program incorporates features of established programs but emphasizes a new principle. That principle is the concept that homeownership can be of far greater benefit to the poor than a mere roof and four walls. Homeownership can be a source of pride and stability, influences that will extend to the homeowner's job and family life. In addition, the homeownership program is the first to incorporate features which allow the active involvement of the individual in a Federal Housing program, through the use of "sweat equity" and through personal responsibility for maintenance and repair.

The bill's homeownership program and rental program are established on a similar basis. Experience has shown that under the 221(d)(3) program the Government is able to finance only a limited number of mortgages at the below-market interest rate. Accordingly, the new programs involve market interest rates, for which private financing is available, and Government assistance takes the form of direct assistance and interest-reduction payments. These programs incorporate the feature of the rent supplements program which requires an individual to pay a percentage of his income. This feature has the advantage that the individual's payments increase as his income does, but a raise in income does not require his eviction from his home.

Under section 235, the homeowner would pay 20 percent of his monthly income for principal, interest, taxes, and insurance on the mortgage. The difference between 20 percent of the homeowner's income and the amount actually required to meet the mortgage would constitute the amount of the Government assistance payment, except that the assistance payment could not exceed the difference between the amount required and the amount which would be required if the mortgage bore interest at 1 percent. Under the section 236 rental program, interest-reduction payments would be made on behalf of the sponsor to make up the difference between the monthly amount actually required at the market interest rate and the amount which would be required at a 1-percent-interest rate. Rental in this housing would be established as a basic charge; tenants would pay either the basic charge or 25 percent of their income, whichever was greater. Any excess over the basic charge paid would be deposited in a revolving fund. The 236 program offers flexibility in both financing and rental charges which should contribute to the production of housing at a much higher rate.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. BROOKE. Mr. President, I ask unanimous consent to have 3 additional minutes.

Mr. TOWER. Mr. President, I yield 3 minutes of my time to the Senator from Massachusetts.

Mr. BROOKE. Mr. President, the return to private market-rate financing is but one of numerous examples in which S. 3497 recognizes the necessity for and the benefits of participation by the private sector. Title IX authorizes the creation of a National Housing Corporation, a private, profitmaking corporation, the purpose of which is to build low-income housing. The Corporation is authorized to establish limited partnerships for the purpose of engaging in low- and moderate-income housing undertakings. Title IX offers the advantage of stimulating participation by private business with its skill, organization, and funds, which have not yet been tapped in full measure for housing programs.

Mr. President, S. 3497 contains many other new programs and revisions of existing programs, and there are others more expert in these details than I. I would only wish to state once again that this bill represents the collective effort of the committee to establish the best possible housing programs for the Nation as a whole. It is the product of earnest and thoughtful study. It represents a major step forward in a vital field.

Mr. President, the report of the Civil Disorders Commission called for action in four areas—jobs, housing, welfare, and education. All four are essential; one cannot be effective without the other three. But inadequate housing is the visible, tangible symbol of the cycle of poverty and deprivation. Its deleterious effects are felt in the daily life of every single one of our Nation's poor. S. 3497 provides the tools which, backed by the will of the Nation, can begin to erase the blight of substandard housing.

Mr. President, I thank the distinguished Senator from Texas for yielding to me.

The PRESIDING OFFICER. Who yields time?

Mr. TOWER. Mr. President, I yield myself 15 minutes.

Mr. President, section 101, title I, of S. 3497 would authorize a new program of assistance to enable lower income families to own their own homes. This would be done through a new mechanism that would allow the Federal Government to subsidize part of the monthly cost of a market rate home mortgage loan.

Such payments would be made monthly by the Government directly to the mortgagee on behalf of the mortgagor.

A family would be required to apply 20 percent of its monthly income to the cost of its monthly mortgage payment, such payment including principal, interest, taxes, and a mortgage insurance premium. The Government's subsidy payment would be in an amount equal to the difference between the family's 20-percent payment and the required monthly payment under the mortgage.

However, in no event could the Government's payment exceed the difference between the required monthly mortgage payment and the payment that would be required if such mortgage bore an interest rate of 1 percent. In other words, it would be possible for a family to receive the benefits of a 1 percent interest

mortgage as a result of the Government's subsidy.

Mr. President, my amendment pertains to the determination of eligibility for the homeownership programs' subsidy benefits. It would define as being eligible those families whose incomes do not exceed 70 percent of the income limits presently established for the section 221(d)(3) below-market interest rate rental and cooperative housing program. The bill as now written would allow 20 percent of the assistance payments contracted for to exceed the 70 percent of 221(d)(3) limitation.

For reasons which I shall hereinafter state, I firmly believe that this program should not be allowed to extend government subsidy benefits to families with incomes at those levels now permissible under the 221(d)(3) BMIR program.

I applaud and support our committee's efforts to bring about a way whereby our Nation's lower-income can participate in the great American tradition of homeownership. The committee's chairman and its members have worked long and hard to formulate an appropriate mechanism that would serve to close the gap between the incomes that typify those of our citizens that have limited financial means and the market cost of a reasonably necessary home mortgage loan.

It is our collective opinion that a direct month-by-month subsidy payment is the most practical way to implement this assistance. But, I expressed my exception in our committee meetings to the far-reaching scope of the program's subsidy benefits, and I urge that every Senator weigh this matter closely in his own mind.

There must be a strong and compelling need to support the giving of a Government subsidy, especially at this time when our Government finds itself in very serious fiscal and monetary difficulties. In the area of housing, such subsidies should not be given to families who are capable of housing themselves on the private market through their own efforts.

If Government assistance is to be freely available without a determination of true need, not only will we be subsidizing the undermining of individual initiative and responsibility, but we will allow such money as is available for this purpose to be directed away from those in deserving circumstances.

Eligibility for the homeownership program's benefits is based on the amount of a family's income, its size, and the city that it lives in. As I have already noted, this criteria is set out in the eligibility tables for the section 221(d)(3) BMIR program.

This FNMA-backed, low interest rate, program was enacted in 1961. It was to be strictly limited to those individuals and families whose incomes exclude them from standard housing in the private market. The program was to benefit families with incomes too high for public housing, mainly those with incomes of \$6,000 or less. This Government-aided housing was not to compete with housing where such aid did not exist.

Program experience has shown this not to be the case. Unjustifiably liberal income limits have allowed projects con-



structed under the program to cater to middle income families, not those at the lower income levels.

Thus, the Government has in fact been supporting housing for those that should be expected to handle their own housing needs.

This is all relevant because the new homeownership program in this bill will utilize the 221(d)(3) eligibility tables, and I invite every Senator's attention to these tables for insight into this question of who should be subsidized by the Government.

At page 183 of the committee report will be found a table with some examples of eligible family incomes listed by city and family size. The table also shows the comparable eligible income in each instance for benefits under the rent supplement program. These limits can be readily interpreted as "low income" as they are based on public housing admission levels.

When we talk of "lower income," as in this bill, I think we should hold this to represent those families whose incomes are too high for public housing but too low to allow them to purchase decent and sufficient housing on the private market with their own financial resources.

Rather than allowing the Government to subsidize families in the middle income area, which is certainly the case in 221(d)(3), we should concentrate the benefits of this program on those lower-income families that can demonstrate their capability to handle the responsibilities of homeownership if given a helping hand. By so doing, I anticipate that qualified families with annual incomes generally \$5,000 and less would be the recipients of program benefits.

The 70 percent of 221(d)(3) income limitation that I propose in my amendment would be more than reasonable in this regard. While I personally feel that it would prove to be high in many instances if not implemented prudently, it would not, in my opinion be so inflexible as to hamper the program's operation in the higher cost areas of the country.

It is stated that the bill's eligibility formula is expected to generally cover families with annual incomes from \$3,000 to \$7,000. The 70 percent limitation would be well in line with this estimate. The predecessor to this bill, S. 2700, wherein the lower-income homeownership was originated, contained the 70 percent of 221(d)(3) income eligibility requirement. This reflected the committee's feeling that the full 221(d)(3) limits were too high to serve the needs of lower-income families.

Experience with the 221(d)(3) BMIR program has clearly shown that benefits tend to concentrate at the higher end of any given eligibility limits. If this were allowed to happen in the homeownership program, deserving lower-income families would be bypassed due to the economic attractiveness of building homes to serve the higher income levels.

Projects constructed under this government-supported 221(d)(3) program in my Texas City of Dallas give ample evidence of its misdirection. For example:

A couple with one or two children can make \$7,550.

A couple with three or four children can make \$8,700.

A couple with five or more children can make \$9,800.

Even if the 70 percent of 221(d)(3) eligibility were applied,

The couple with one or two children could make \$5,285.

The couple with three or four children could make \$6,090.

The couple with five or more children could make \$6,860.

I digress at this point to make a personal reference. The last year that I was assistant professor of political science at Midwestern University, my salary was \$5,000 a year. I was raising three children and paying for my own home at regular market interest rates. So I cannot have much sympathy with the idea of subsidizing homeownership for people of moderate incomes.

Let us help the ones with low incomes, and let us make sure this program does precisely that. Even 20 percent, in my estimation, is too much to devote to the aid of moderate income families, when it is the destitute, the impoverished, the poor whom we are trying to benefit here.

In either of these instances, 70-percent limitation or not, Government assistance is, and would be, available to income groups fully capable of providing for themselves without having to rely on their government.

According to 1966 census figures, the median annual income of American families was \$7,400. This figure ranges from approximately \$5,600 in the South to \$7,300 in the north-central region. The average factory worker in the Dallas area makes about \$5,300 a year.

Notwithstanding these typical incomes of families who pay their own way in life, the 221(d)(3) program, in essence, says that they should be subsidized. This is insupportable, in my opinion, and this new program should not be allowed to compound this gross misuse of the taxpayer's money.

The higher income levels represented by the full 221(d)(3) income limits are typical of the country's great middle class. It would be grossly unjust to allow the Government to subsidize families with such incomes. It would be equally unjust to enact a program to remedy the housing needs of thousands of our Nation's lower-income families, and at the same time make it susceptible to benefiting families capable of providing for themselves.

By any measurement, the vast majority of American families are capable of supporting their housing needs. Those families that are least able to procure decent housing are concentrated in the deteriorated neighborhoods of our cities. Some 75 percent of all substandard dwellings are occupied by families with annual incomes of \$4,000 or less.

If this program is to make a contribution to the replacement of this rundown housing, there is all the more reason to use restraint in the setting of eligibility limits. Some 28 percent of our country's families have incomes of \$5,000 and under. If the program is concentrated on

this 28 percent, we will certainly be reaching out for those in true need of assistance.

Should the program instead reach out for those families with incomes up to \$7,000, there would be covered some 46 percent, or almost half, of all our families. In my opinion, it is insupportable to conclude that nearly one-half of all this country's families should rely on their Government for their housing needs.

This is to say nothing of subsidizing those with incomes up to \$10,000, which would be possible without the 70-percent limitation that I propose. Approximately 70 percent of this country's families are in this income category.

It should be pointed out that whatever income limits we decide upon, there will still be a large degree of flexibility in favor of the benefited family. These income limits are for initial eligibility purposes only. Once occupancy has commenced, a family's income could increase beyond these limits, and income would be recertified every 2 years to adjust the subsidy downward.

In addition, \$300 could be deducted from a family's income for each family member for eligibility purposes. And, the eligibility level is increased according to the number of persons in the family.

Thus, the setting of the initial eligible incomes should be approached with more caution than is evident in the bill. There is far more to support moving the limits down than there is to set them at the higher levels asked for.

The "Declaration of Policy" which prefaces the bills calls for Government assistance for families with incomes so low that they could not otherwise decently house themselves. If the setting of the program's income limits is not approached with prudent restraint, we will both miss the target of our concern, our Nation's poorer families, and encourage more and more of our citizens to look to their Government as their only means of being housed, contrary to everything our system stands for.

Mr. LAUSCHE. Mr. President, will the Senator yield for a question?

The PRESIDING OFFICER. The Senator's time has expired.

Mr. TOWER. I yield such time as necessary to the Senator from Ohio.

Mr. LAUSCHE. I heard the Senator state that a family with a \$10,000 income, under certain circumstances, would be eligible for the aid.

Mr. TOWER. That is true, under the provisions of 221(d)(3).

Mr. LAUSCHE. Will the Senator illustrate that, please, if he can?

Mr. TOWER. For example, a family of three or four persons, under the maximum limit under 221(d)(3), would be eligible for the program if it made an income of \$6,750 a year, at Austin, Tex. The amount varies according to the city.

Let us look at one a little closer to Cleveland. Let us take Milwaukee, which is very close to the State of the distinguished Senator from Wisconsin. There a family of three or four persons having an income of \$8,000 could be eligible within full limits. But they would be eligible at \$5,600 if the formula were applied



at 70 percent of the existing section 22(d)(3) limitations.

Mr. LAUSCHE. Approximately what percentage of the families of the Nation do the \$5,600 income families constitute?

Mr. TOWER. Does the Senator mean in that salary range?

Mr. LAUSCHE. About 28 percent of the families are in the \$5,000-or-under bracket. Those in the \$3,000 bracket constitute 14 percent; \$3,000 to \$5,000, 14 percent; a total of 28 percent.

I am trying to make certain that all the money earmarked in the bill will go to the lower income families and that none of it will be allowed to gravitate up to the moderate income families.

Mr. LAUSCHE. Where would be the dividing line?

Mr. TOWER. The dividing line would vary from city to city. For a family of two persons, it would vary anywhere from an income of \$4,000 in Austin, Tex., to about \$5,215 in New York City.

Mr. MILLER. Mr. President, will the Senator yield?

Mr. TOWER. I yield.

Mr. MILLER. I should like to ask either the Senator from Texas or the Senator from Wisconsin what constitutes income. Is it income for Federal income tax purposes as shown in an income tax return? Or would it include an inheritance that a member of the family might receive? Suppose a family has an income of \$5,000 as shown on the Federal income tax return, but that a relative of one of the family passes away, and the relative receives an inheritance of \$25,000.

Also, would the income include gifts? Let us say that in the disposition of an estate, a low-income family receives a gift from a parent or other relative in the amount of \$2,000 or \$3,000.

I should like to be satisfied on this point. I raised this point 2 years ago in the debate on the rent-supplement bill. In fact, I offered an amendment on this point. The distinguished former senior Senator from Illinois, Mr. Douglas, declined to accept the amendment. Although he rejected it, I am happy to say that the Department of Housing and Urban Development, apparently as a result of a reading of the debate, issued regulations which made it clear that inheritances and gifts of substantial amounts would be taken into account in possibly disqualifying a person from eligibility.

As a matter of legislative history, we ought to make this point clear. Certainly the taxpayers should not be called upon to have their tax money used to pay subsidies to people who can afford to pay for their homes themselves. As I understand, the entire thrust of the bill is to make certain that families in low-income areas, who cannot afford to make such payments, will receive some assistance from the taxpayers to enable them to attain decent housing for themselves.

If, however, outside sources of economic income, such as inheritance or gifts, are not taken into account, I think then that we would frustrate the purposes of the legislation.

Could either of my colleagues satisfy me on that point?

Mr. TOWER. Mr. President, I believe

that the income referred to as gross income would include income from all sources.

Mr. PROXMIRE. Mr. President, the staff is busily working on an answer to the question of the Senator from Iowa. The definition that we have available from HUD on definition of income indicates the following:

For an employee receiving a straight salary or wages and whose rate of income is subject to change due to promotions, etc., a determination based upon the previous 12 months' earnings might well be erroneous. For such persons, the annual income must be proven on the basis of the current rate of pay at the time of certification.

I think that the Senator from Iowa makes a good point, and I understand that the Senator from Texas is probably correct. However, I would like to check further to see if it includes not only pay, but also gifts and inheritance and any other source of money that would be available.

There is the difficulty that a man or a woman might receive a small inheritance of perhaps \$1,000 or \$2,000 in 1 year. Obviously, it would not be fair to disqualify that person if that is a one-time situation.

It certainly ought to include any regular income from pension or from interest in property, or anything of that kind. There is no question about that. However, whether it should include a small inheritance, I am not sure, and I am checking now to find out.

Mr. MILLER. Mr. President, I would appreciate it if the Senator could furnish that information. In addition, if there is a feeling that the income shown on the Federal income tax return—and adjusted gross income is what almost everybody refers to in their income tax returns—should be the test, then of course we would be faced with the possibility of someone who might receive a substantial amount of money in the form of interest. So I think it is very well for us to try to close any loopholes here.

Mr. PROXMIRE. I agree with the Senator.

Mr. MILLER. I agree with my colleagues.

Mr. PROXMIRE. However, in connection with the point made by the distinguished Senator from Texas, he was correct. I have in my hand a document on the stationery of the Department of Housing and Urban Development, Federal Housing Administration that specifies that—

Tenant income means all of the gross income before taxes and all deductions received by all members of the family except a dependent child or children.

The only exception provided here is for a dependent child such as one working in a car wash or some such establishment 1 day a week. That income is excluded, but any other income is included in the definition.

Mr. MILLER. It is good from the standpoint of the legislative history, which we are making, to make sure that we are talking about all gross income for Federal income tax purposes. It has long ago been decided that Federal income does not include inheritance or gifts.

However, the thrust of the pending legislation is something else. It goes into the economic status of the people.

It would seem that gross income for the purpose of subsidizing these low-income areas for decent housing ought to reflect the economic type of income which, to the average person would not include inheritance and gifts.

Mr. PROXMIRE. Mr. President, I am now informed by the staff that they have been in touch with the Department of Housing and Urban Development. The Department says that they would take into account all income, including that from gifts, inheritance, and any other element in determining whether a prospective tenant or buyer would qualify.

Mr. TOWER. That would include include income from tax-free bonds.

Mr. PROXMIRE. The Senator is correct. However, most of the people with the kind of income the Senator from Texas is talking about would not have any investment income. However, the point raised is a good one.

Mr. MILLER. What we are trying to do is to meet the needs of those who need assistance. And if we can make sure of what we are talking about by way of legislative history, as we have already done, I think it would be helpful to the taxpayers in general and also to those who have to administer the law.

Mr. TOWER. The whole thrust of my argument is to make sure that we dedicate all of the money to helping those people in the lower socioeconomic scale. We are trying to avoid having that program gravitate upward toward the more moderate-income family.

Mr. MILLER. Mr. President, did I correctly understand the Senator, in response to the question of the Senator from Ohio, to say that the area to which he is trying to confine this average represents about 28 percent of the population?

Mr. TOWER. The Senator is correct. That is, 28 percent of the families.

Mr. MILLER. Can the Senator tell us what additional percentage would be covered over and above the 28 percent under the bill as it now stands without the pending amendment?

Mr. TOWER. Mr. President, 80 percent of the money would be confined to that 28 percent. However, there is a provision that 20 percent of the money can go to the full 221(d)(3) limit. And if it is applied over the whole bill, 46 percent of the families in the country would be eligible.

Mr. MILLER. The point of the Senator is that we should confine the impact of the bill to the area embracing 28 percent of the families. I assume that we have enough problem with that 28 percent without going above that to get into the area of 46 percent average.

Mr. TOWER. The Senator is correct. And 46 percent is the minimal figure. Forty-six percent of the families have incomes up to \$10,000. And when we take the full coverage under 221(d)(3), it could easily hit 50 percent or more of the families in the country.

Mr. AIKEN. Mr. President, I ask a question which might affect industry decentralization. If industry moves to less



populated areas where there is no housing and if they pay their employees anywhere from \$5,000 to \$10,000 a year, would those employees be eligible for assistance under the bill or under the pending amendment? Of course, I have specific instances in mind in which potential employees cannot rent or purchase a house.

Mr. TOWER. Again, the income would be in the determining factor, and that determination would be made by the Secretary.

Mr. AIKEN. Let us suppose that the pay amounts to anywhere from \$5,000 to \$10,000 a year.

Mr. TOWER. There are programs that they can benefit from, other than this program.

The Senator is assuming that they want to build houses and own homes?

Mr. AIKEN. They want a roof over their heads.

Mr. TOWER. But do they want homeownership?

Mr. AIKEN. I think so.

Mr. TOWER. Other channels for homeownership are available to them.

Mr. AIKEN. They cannot rent houses. There are none there for them to rent. They have to build if they want a house in which to live.

Mr. TOWER. I believe that if an industry located a sizable plant in an area where there was inadequate housing, that industry would devise some means to make sure its workers were housed. Otherwise, it could not attract the workers it needed.

Mr. AIKEN. I wish that were true.

Mr. TOWER. It seems to me that that responsibility would fall on industry.

Mr. AIKEN. It takes time to solve those problems. It cannot be done overnight.

Mr. TOWER. If this does occur in Vermont, I am sure that a little Yankee ingenuity would take care of it, anyway.

Mr. AIKEN. Yankee ingenuity is working at it. But when the banks have loaned all their available money and houses are not available to rent, it creates a problem.

At the same time, I know the Senator from Texas also undoubtedly advocates the decentralization of industry, to get away from the merciless crowding into the cities, for which we are paying a price.

Mr. TOWER. The eligibility requirement for a family of three or four persons in Burlington, Vt., would be an income of \$7,350.

Mr. AIKEN. Under the Senator's amendment or under the bill?

Mr. TOWER. Under the formula I propose, approximately one-third, or 30 percent, would be taken from that amount. It would be in the area of an income of \$5,000 or \$5,200 for eligibility.

Mr. AIKEN. Let us say that that would be a bare minimum anyway.

Mr. TOWER. This is graduated upward, according to the number in the family.

Mr. AIKEN. That takes time, too.

Mr. PROXMIRE. Mr. President, I yield myself 10 minutes.

Mr. President, the amendment of the distinguished Senator from Texas expresses the same sentiment that I strongly feel. As a matter of fact, I introduced an amendment to the bill as it

came from the administration to reduce the incomes of those people who would be assisted to buy their own homes so that it would be at a level of only 70 percent of the present so-called 221(d)(3)—that is, the low- and moderate-income program. However, when I introduced that amendment I was persuaded that in order for the program to work—especially for this program to work in the ghetto areas, which concerns every Member of the Senate so much—it was necessary to provide some flexibility. So I provided in my amendment that whereas 70 percent of BMIR income should be the limit for 80 percent of the applicants, for 4 out of 5; for the overwhelming majority of the applicants, 20 percent, 1 out of 5, would be free to have HUD permit a higher level than the 70 percent of 221(d)(3).

I agree very strongly with the Senator from Texas that Congress should not subsidize dental or homeownership for any family which can help itself. I believe that is a good principle. It is a principle we should apply, and it should be applied to the greatest extent possible. But to have a workable program that will do something about the ghetto areas, especially in the areas where sites are important—incidentally, the sites are just unavailable in the ghetto areas—it is necessary to provide this degree of flexibility.

I wish to stress at this time that every family under this program will be required to pay at least 20 percent of its income in buying the home. Of course, in addition to that 20 percent, as all of us who are homeowners know, many other costs accrue, to the homeowner in addition to the basic costs of paying for the mortgage, amortization, and essential costs of buying a home.

Mr. President, this definition under section 221(d)(3)—that is, the below-market interest rate income ceiling for that level of income needed by the family to afford decent housing in that area.

I know this has been a subject for criticism by some persons who point to New York City where a large family, in order to have a home, has to have an income of perhaps \$10,000. This \$10,000 has been applied generally throughout the country as the limitation. However, if we were to apply it rigidly according to the Tower amendment, without exception, it would exclude some families in high-cost areas, where the family lives in slum housing, and cannot get into a decent home without at least a little help from the Federal Government. In those instances the income is not high enough to afford ownership without some financial help.

I shall refer to some examples, which might be the best way to understand the program. New York City has been the most flagrant example. In New York City, applying the 70-percent figure, in the case of the man who makes \$75 a week, the wife of the man in that situation works and she makes \$70 a week, because people with low incomes usually have to have the wives working. We know how many millions of American families there are in this situation. They have four children. Under this program they would not qualify in New York City. With that

income, with the wife working, and with four children, it would be virtually impossible for them to be able to buy housing in New York City.

I would refer to the city of San Antonio in the State of my good friend from Texas. In that city, if a man is making \$50 a week, which is below the present Federal minimum wage, and if his wife is making \$50 a week, and they have four children, they would be out of luck. They could not qualify under the Tower amendment to secure any degree of help from the Federal Government. The Senator from Texas is far better informed with respect to housing there. However, when there are four children and the income totals \$100 a week or \$5,000 a year, whereas 30 or 40 years ago that was not bad, these days one cannot buy housing according to the experts who have gone in and studied this problem.

I wish to give another example for San Antonio. In the case of the family of six persons, two adults and four children, the man makes \$60 a week as a short-order cook—that is the kind of job where they would have that pay—and the wife earns \$50 a week as a maid, again they would not qualify to get an opportunity to buy their own home.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. PROXMIRE. I shall yield in a moment.

The bill in its present form provides that 80 percent, or 4 out of 5, of the families who are going to be eligible must have incomes below the 70-percent limit to come into the program, but there is a little flexibility. There is a 20-percent flexibility for HUD to do something about the ghetto areas, and where the location is such that without the flexibility they could not buy a home.

Mr. TOWER. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield.

Mr. TOWER. I might point out that I do not have the figures for San Antonio. However, the figures for Dallas are roughly comparable, but perhaps more expensive. Seventy percent under 221(d)(3) would allow families of five and six persons to qualify with an income of \$6,000. That income is arrived at after deducting \$300 for each dependent child.

I would like to raise this question for the Senator from Wisconsin in connection with helping the ghettos. According to the President's Commission on Civil Disorders, the survey they made showed that in 20 cities experiencing rioting in 1967 the median family income in disturbance areas was for whites, \$3,300 and for nonwhites, \$4,218.

It occurs to me that the lower we get the more we are going to help the non-white families.

Mr. PROXMIRE. I have two answers. First, 80 percent of the program would go exclusively and entirely to very low-income families. Second, it must be recognized there are some people, and the figure runs into the millions, who will not be able to afford to buy homes even if the interest rate to be effective were down to 1 percent. There are some who will have to rely on rent supplements and rental housing. All Americans



cannot have adequate income to buy their own homes. However, it seems to me we would be ruling out many hard-working people with low incomes who should be enabled to qualify.

Mr. LAUSCHE. Mr. President, will the Senator yield so I may ask a question?

Mr. PROXMIRE. I yield.

Mr. LAUSCHE. Do I understand that 80 percent of the money will be earmarked to help what is referred to as low-income families?

Mr. PROXMIRE. All of the income will be used to help people with low income, but 80 percent will be to help those whose income is so low it is only 70 percent of the level necessary on the basis of the best scientific advice we have of what it takes to buy a home in the free market.

Mr. LAUSCHE. The other 20 percent will be allowable to families which are above this most humble classification. Is that correct?

Mr. PROXMIRE. The Senator is correct.

Mr. LAUSCHE. How is it to be decided to which of those 20 percent this money is going to be given? What will be the situation if the 20 percent of the money is not adequate to take care of all of the applicants?

Mr. PROXMIRE. There is no question that all of the applicants will not be taken care of on the basis of the 80 percent or the 20 percent.

Mr. LAUSCHE. On what basis would it be?

Mr. PROXMIRE. It would be on the basis of those areas most in need of housing, where unavailability of sites is such a serious problem.

Mr. LAUSCHE. Would it not follow that if 20 percent will not be adequate to take care of all the applicants, next year you will have to provide more money so that all who apply will be taken care of?

Mr. PROXMIRE. We have not had any housing program in the past to take care of all of those who need assistance. As the Senator knows we have over 8 million substandard homes. We cannot expect to take care of all of these with any one program.

We are trying primarily to help those with low incomes that would not otherwise have any chance to buy a home. We want to help those whose incomes are very low and who cannot buy a home, but they are higher than the limits and they live in areas, ghetto areas, in which assistance is needed, such as in Cleveland, Milwaukee, and New York City.

Mr. LAUSCHE. To summarize, then, a family under certain circumstances, because of the large numbers in some areas in the country could qualify for this subsidy even though the family was earning as high as \$10,000.

Mr. PROXMIRE. That would be extraordinarily rare and I frankly would be very, very surprised if that should be the case in view of the very limited amount that would be available to those families. The \$10,000 would be reduced to \$7,000, according to what is now in the bill, the 80 percent.

If HUD is going to make an exception to provide for someone with \$10,000 a year to buy a home I would be very shocked. They might go a little over \$7,000, however.

Mr. LAUSCHE. How many families in the country would be covered if there were a maximum of \$7,000?

Mr. PROXMIRE. Well, it is hard to say. The estimate of 38 percent is the number of families that would qualify under the so-called low market interest rate program, although that disagrees with what the Senator from Texas estimates. He says 47 percent. I say 38 percent. He says \$7,000 limitation so as to bring it down to 28 percent. The \$7,000 is deceptive. We knock out the \$7,000 limitation in New York and in Pineland, Tex., it is \$3,300. It depends on the cost of construction in those particular areas.

Mr. SPARKMAN. Mr. President, will the Senator from Wisconsin yield me 2 minutes?

Mr. PROXMIRE. Mr. President, I yield 2 minutes to the Senator from Alabama.

The PRESIDING OFFICER. The Senator from Alabama is recognized for 2 minutes.

Mr. SPARKMAN. Mr. President, the Senator from Minnesota [Mr. MONDALE] has prepared a statement in opposition to this amendment. Unfortunately, he cannot be here, and I therefore ask unanimous consent to have printed in the RECORD his statement, together with the insertions.

The PRESIDING OFFICER. Without objection, it is so ordered.

The statement of Mr. MONDALE is as follows:

#### AMENDMENT No. 822

On Friday, the distinguished Senator from Texas (Mr. Tower) offered an amendment, No. 822, to the Housing and Urban Development Act of 1968. This amendment would limit eligibility for the home ownership program to families whose income is 70% or less of the prescribed limits for the 221(d)(3) low and moderate income housing program.

One of the most complicated issues faced by the Banking and Currency Committee during the consideration of Title I and Title II, the home ownership and rental assistance programs, was the establishment of equitable income limitations. The approach approved by the Committee represents a recognition that these programs must concentrate on the lower income family while at the same time serve a large enough range of incomes to attract private developers to build units. Any attempt to change it would endanger the whole housing program.

Because of the importance of the whole issue of income limits in both these programs, I would like to give some background on the Committee's actions and deliberations.

The formula established by the Committee is the same for both the homeownership and rental assistance programs. It has three segments:

1. All but 20% of the subsidy payments authorized must be used for families whose income is 70% or below the prescribed 221(d)(3) limits for the locality.

2. The other 20% can go to families whose income is above 70% of the 221(d)(3) limits but does not exceed these limits.

3. In determining income, \$300 will be deducted from gross income for each minor child living in the home.

The only difference between the two programs relates to the subsidy mechanism. In the rental assistance program, a family is required to pay 25% of its adjusted income (gross annual income minus \$300 per child living at home) toward the rent. However, in the homeownership program, the family pays 20% of its adjusted income toward the mortgage payment. The reason for this differential is that a family buying a home has

the additional required expenses of maintenance, repair, insurance and utilities.

This income limitation formula was based on five conclusions of the Committee.

1. *The major thrust of these new programs should be toward the lower income family.* In the past, too often, the federal rental program, 221(d)(3), has assisted the family whose income is over \$8,000 a year and not the lower income family. Yet, the vast majority of more than 6 million substandard housing units in this country are occupied by families whose income is below \$5,500. Therefore to insure that these two new programs will benefit the lower income family, the Committee required that 80% of the funds authorized under these programs go to families whose incomes are under 70% of the present 221(d)(3) limits.

This is a dramatic shift from our previous programs. For example, under the 221(d)(3) program a family of 4 in Minneapolis would be eligible for a rental unit if their income did not exceed \$8,050. However, under the formula worked out by the Committee, primary emphasis (80% of the funds) would now be given to families whose income is \$5,650 or below. A chart giving other examples of this new emphasis shows as follows:

City	Present 221(d)(3) limits for a family of 4	70 percent of these limits
Montgomery, Ala.	\$5,900	\$4,100
Long View, Tex.	6,050	4,200
Tampa, Fla.	5,950	4,200
Macon, Ga.	5,750	4,000
Raleigh, N.C.	5,950	4,200
Bangor, Maine	6,800	4,800
Duluth, Minn.	6,700	4,700
Springfield, Mo.	6,800	4,800
Atlantic City, N.J.	6,700	4,700
Austin, Tex.	6,750	4,700
Milwaukee, Wis.	8,000	5,600
Detroit, Mich.	8,200	5,700
Boston, Mass.	8,200	5,700
Washington, D.C.	8,400	5,900
Springfield, Ill.	8,250	5,800

2. *At the same time the Committee recognized the need to continue to assist some moderate income families who are unable to find suitable living conditions at market rates.* These families—the postal workers, civil servants, teachers, cab drivers, and those displaced by public action—have difficulty, especially in urban areas, finding adequate housing. Although their incomes may be above \$6,000, they still have a difficult time in obtaining safe and decent housing with their means.

The Bureau of Labor Statistics has computed a typical city worker's budget for a family of four. This budget shows that a family, in the fall of 1966 must have had an income of \$9,191 a year to have a "moderate standard of living." Housing costs averaged 24.1% of this budget or \$2,214 a year.

The Department of Housing and Urban Development has supplied me with some further statistics on the gross minimum monthly rental needed to secure standard housing in various cities. These figures would also approximate the monthly mortgage payment required to purchase a standard home. For a two-bedroom unit the minimum rents are as high as \$137 in Las Vegas, \$123 in Duluth, Minnesota, \$132 in Chicago, \$141 in Boston, and \$117 in Buffalo, New York.

Thus, the average city worker is required to spend a substantial amount of his resources in providing housing. For some families—whom we might consider moderate income—this is still a tremendous strain on their budget. There is no reason why our housing programs should not assist these families as well as the lower income families as long as there is some provision for a sliding scale of assistance so that those more in need receive more assistance.

Therefore, the Committee concluded that 20% of the funds appropriated for these



new programs could be used to help the moderate income family whose own resources were insufficient to meet rental or mortgage payments.

However, the Committee also provided a sliding scale subsidy based on income. A family will pay a certain percentage of its income for this housing—20% for home ownership; 25% for the rental program—granting the lower income family with more benefits than the moderate income family.

For example, under the home ownership program, the required monthly mortgage payment for a \$14,000 home, financed at 6¼% for 35 years, would be \$116.52. A lower income family earning \$4,200 a year would pay 20% of its income—\$70 a month—toward the mortgage and the government would assist by paying \$46.52. On the other hand, a moderate income family, one earning \$6,600 purchasing the same house, would be required to pay 20% of its income, \$110 a month. Although still eligible for assistance, the family would receive only \$6.52 a month in subsidy.

This is in marked contrast to the 221(d)(3) program where the subsidy goes to the unit and the same rent is established for low income and middle income families. The provisions in S. 3497 are a much more equitable approach to assisting those who are in need.

3. *A large enough range of eligible incomes must be established in each community to attract private builders to produce this housing.* There must be a sufficient market for units or they will not be built. If these units are limited to an income range of only \$1,000, for example, then there is only slight hope that the necessary volume of housing will be built.

During the housing hearings this year, Lloyd Clarke, President of the National Association of Homebuilders testified on this point:

"I want to stress also that this program (home ownership) is meant to serve moderate income as well as low income families. Volume results cannot be achieved if it should be restricted so as to make it impossible to provide good housing opportunities for families not now being sheltered by either the private market at market rates or the subsidized Government programs.

"To assure the kind of massive building and marketing program envisioned by this section 235 program, the income limits for assistance under this proposal should be as in the bill (S. 3029) a function of the maximum permissible mortgage amounts and the formula for assistance."

Mr. Clarke's warning is appropriate since the program's income range would be severely limited if only families whose income is 70% of 221(d)(3) were eligible.

The bill's provision that the mortgage subsidy can never exceed the difference between a market rate mortgage and a one percentage mortgage creates a floor beneath which families cannot afford to purchase a home even with the subsidy.

For example, the maximum subsidy on a \$12,000 home is \$45.72. This means only families whose income exceeds \$3,200 can afford this home. Making only families whose income is 70% of the 221(d)(3) eligible, restricts the market. Assuming that an average 2 bedroom unit is a low construction cost area has a value of \$12,000, the range would be:

Montgomery, Ala., \$3,200—\$4,100.  
Longview, Texas, \$3,200—\$4,200.  
Tampa, Florida, \$3,200—\$4,200.  
Macon, Georgia, \$3,200—\$4,000.

This is contrasted with a range of \$3,200—\$5,400 (the point at which a family's income is sufficient to pay the monthly mortgage) in all these cities if there was no limitation on income. Thus, the provision permitting 20% of the funds to be used for families above the 70% limit would expand the potential market for any builder and

provide a market to fill vacancies not filled by those of the lower 70% of (d)(3) limits.

4. *There should be a diversity of incomes living in units produced with these two programs.* The Committee felt that if all the efforts were concentrated on housing only the poor, we would merely be creating new islands of poverty and confinement, isolated from the rest of the community. Our early experience with the public housing program has demonstrated that a safe, new dwelling is not in itself the way to eliminate a slum. Too often, new, highrise slums were created in a public project because there was no economic cross section in the community.

William L. Taylor, Staff Director of the U.S. Commission on Civil Rights wrote a letter to the distinguished Chairman of the Committee (Mr. Sparkman) expressing his concern over income limitations in the new programs. His conclusion is that an economic mix with a neighborhood will give it more viability and "enable disadvantaged families to participate more fully in community life." This point was one more reason for the committee to permit the use of 20% of the funds for the moderate income families.

5. *Special Assistance should be granted to the large family.*

The large family is often neglected in our special programs as recent studies in public housing demonstrate. Most public housing projects do not have enough bedrooms per unit to assist these families and they are forced to live in substandard units. In addition, there is a higher concentration of poverty among the large family. In fact, the incident of poverty among large families is two and one half times as great as among other families.

Coupled with the unique housing needs of the large family is the problem that these families are not able to pay as high as a percentage of their income for housing needs. A recent study in New York City on the amount of income needed to maintain a "modest, minimum" budget shows that the family costs increase by \$700 a year for each additional child.

As the family size increases, the proportion of income going for housing decreases. This New York study shows how this affects the large family. The childless couple pays 24.3% of its income for housing while the family of 10 can only pay 16% of its income for housing.

Number of people:	Percentage of income for housing
1	29.0
2	24.3
3	23.3
4	20.6
5	20.0
6	18.3
7	17.6
8	17.5
9	17.6
10	16.0
11	15.4

To meet this situation, the bill provides that income eligibility determination and subsidy determination will be based on "adjusted income". There will be a reduction of \$300 from annual income for every minor child living in the home. Thus, if 70 percent of the (d)(3) limits was \$5,500, a family of \$7,200 with 6 children would fall within this category since its adjusted income is only \$5,400. In addition the family would only pay 20% of this \$5,400 income toward the mortgage payment or 25% of it toward monthly rent.

Thus, these were the reasons the Committee decided on the income limit formula contained in the bill. In my opinion, this formula is an equitable one. It assists those truly in need and emphasizes the lower income family. It provides a sliding scale subsidy so that those with higher income will receive less government assistance. It en-

courages neighborhoods where there will be an economic mix. It gives special help to the large families and their special problems.

Amendments such as the one offered by the distinguished ranking minority member of the Housing and Urban Affairs Subcommittee (Mr. Tower) will negate this formula, and endanger the success of the program.

Mr. TOWER. Mr. President, I appreciate the allusion to Pineland, Tex., just made by the Senator from Wisconsin. Let me say that the sawmills in Pineland throw away enough lumber to build a house down there. It is very cheap to build down in Pineland, Tex.

Mr. President, let me cite some testimony given before the committee by the junior Senator from New York [Mr. KENNEDY] in his testimony on this and other matters pending before the Housing Committee. In that exchange between the Senator from New York and myself, the following took place:

Senator TOWER. The surveys by the President's Commission on Civil Disorders found that the number of persons assisted by Federal programs in almost all cases constituted only a fraction of those in need.

Now, the median income of families according to this report in the disturbance areas was \$4,200 for nonwhites and \$5,300 for whites.

I notice that a recent article in the New York Times states that the median family income in New York City's Brownsville slum area is \$3,500 a year, and I understand that even that is higher than in Bedford-Stuyvesant—

Senator KENNEDY. That is correct.

Senator TOWER (continuing). The area the Senator has manifested so much interest in.

Too, a prior witness before this committee, the Mortgage Bankers, testified that 75 percent of all substandard homes in 1960 were occupied by families with incomes of \$4,000 or less.

Now, in view of this, don't these income figures give evidence that would support efforts on the part of this committee and on the part of the Congress to aim these programs at the lower income levels?

And I would say further don't these incomes represent a logical target for priority?

In other words, less emphasis on the so-called moderate incomes and more emphasis on the low-income families?

Senator KENNEDY. The absolute fact is that, except for the public housing programs, there have not been any housing programs that have helped the low-income people in this country.

The 221(d)(3) program is really for middle-income people. We have not had any housing programs that have helped the lowest income people in the United States. And this legislation that is being considered by this committee is not really going to help them either.

It is going to do better than 221(d)(3), but it is not going to get to the group that you just described.

Senator TOWER. Without trying to get a specific endorsement of any particular provision, I would note that the eligibility requirements in S. 3029 are the same as they are for 221(d)(3), whereas in S. 2700 we pegged the eligibility requirements at 70 percent of 221(d)(3), which would keep it down more toward the median income range.

Do you favor some sort of legislative device, not necessarily this one, to keep this thing from surfacing and gravitating toward more moderate income?

Senator KENNEDY. I do.

Thus, Mr. President, I submit that when the Senator from New York and I can arrive at an agreement on something,



it must be very worthwhile and represent a real consensus. I would suggest in light not only of Senator KENNEDY's testimony but also because the same question was asked of many witnesses repeatedly, and the response was to keep it down to the lowest income families because they are the ones not being helped today.

When we consider that in Bedford-Stuyvesant and Brownsville, N.Y., the families there are in the \$3,000 to the \$3,200 bracket, those are the people we need to help. Those making \$7,000, \$8,000, or \$9,000, perhaps it is a hardship on some of the large families in the income range of \$6,000, \$7,000, \$8,000, or even \$10,000, to build a house or buy a house or even rent a house the burden falls not nearly so heavily on them as it does, on those making below \$5,000. That is where the most critical problem is. Those are the people to whom the program should be targeted.

Mr. PROXMIRE. Mr. President, I yield myself 5 minutes.

The PRESIDING OFFICER. The Senator from Wisconsin is recognized for 5 minutes.

Mr. PROXMIRE. Mr. President, there is no argument between the Senator from Texas and me about the fact that the bill, and this measure in the bill, should be directed primarily at those with the lowest incomes. It is. It is, at the present time. In the bill, however, both the House the homebuilders—and the homebuilders are very emphatic about this—as well as the Cooperative League and two significant other groups; namely, the U.S. Civil Rights Commission and organized labor, they all feel very strongly that we should not knock out any flexibility on the part of the Director of HUD.

I think the argument that makes sense is that we do not want to create a situation where we have economic ghettos. We should provide an opportunity for people whose incomes are above this also to be able to buy their own homes. What will happen is that people with low incomes will be able to buy their own homes under the program, but there will be a serious gap, a gap in which we will have the kind of experience observed before, where there will be indignity because of being associated with that kind of subsidy, because these are people with low incomes and they will be identified as being placed in a group where their houses are subsidized.

What I want to emphasize—and emphasize strongly—is that because 20 percent of incomes are required to go to pay for houses, that subsidy diminishes as the income increases. We talk about people with incomes of \$4,000 or \$3,500, but in buying their own home, we recognize that the assistance they get is going to be a great deal less than the assistance of those with an income of \$3,000 or \$2,500. Most are under this provision. Even for that small minority who have an income above the 70-percent limit, they will pay for virtually the entire cost of the rental themselves and not have the benefit of the Government subsidy.

Mr. TOWER. Mr. President, I yield myself such time as is necessary.

I am aware that it seems like nit-picking to object to a mere 20 percent of the

funds earmarked or being made available under the program for families that reach full eligibility limits on 221(d)(3) but, again, it is the case of the camel with his head under the tent. We have striven for years to devise programs that would help the very poor, and in every instance the programs have always gravitated upwards toward the lower-risk income groups. So I think now we need to have a program in which we say 100 percent of all that we earmark for the program is going to help those who are lowest on the socio-economic scale, because they are the people most in need, they are the people suffering the most and the people least able to take care of themselves.

I think we should put every dime we can earmark into a program to help these people. If there are five people in a given area making application, at an income level below \$5,000 a year, only four of them are going to get the assistance, because the fifth one will have to give away to someone much higher on the socio-economic scale and much more capable of taking care of himself. So I urge the adoption of my amendment.

I am prepared to yield back the balance of my time.

Mr. PROXMIRE. Mr. President, I yield back the balance of my time.

Mr. TOWER. I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the amendments of the Senator from Texas. All remaining time on the amendments has been yielded back. The yeas and nays have been ordered, and the clerk will call the roll.

The bill clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. BIBLE], the Senator from Hawaii [Mr. INOUE], and the Senator from Missouri [Mr. LONG] are absent on official business.

I also announce that the Senator from Idaho [Mr. CHURCH], the Senator from Pennsylvania [Mr. CLARK], the Senator from Mississippi [Mr. EASTLAND], the Senator from North Carolina [Mr. ERVIN], the Senator from Oklahoma [Mr. HARRIS], the Senator from Indiana [Mr. HARTKE], the Senator from Arizona [Mr. HAYDEN], the Senator from South Carolina [Mr. HOLLINGS], the Senator from Massachusetts [Mr. KENNEDY], the Senator from New York [Mr. KENNEDY], the Senator from Louisiana [Mr. LONG], the Senator from Minnesota [Mr. McCARTHY], the Senator from Wyoming [Mr. McGEEL], the Senator from South Dakota [Mr. McGOVERN], the Senator from Minnesota [Mr. MONDALE], the Senator from New Mexico [Mr. MONTOYA], the Senator from Oregon [Mr. MORSE], the Senator from Wisconsin [Mr. NELSON], the Senator from Connecticut [Mr. RIBICOFF], the Senator from Florida [Mr. SMATHERS], and the Senator from Maryland [Mr. TYDINGS] are necessarily absent.

I further announce that, if present and voting, the Senator from New York [Mr. KENNEDY], the Senator from Minnesota [Mr. MONDALE], the Senator from Connecticut [Mr. RIBICOFF], and

the Senator from Maryland [Mr. TYDINGS] would each vote "nay."

On this vote, the Senator from Mississippi [Mr. EASTLAND] is paired with the Senator from Pennsylvania [Mr. CLARK]. If present and voting, the Senator from Mississippi would vote "yea" and the Senator from Pennsylvania would vote "nay."

On this vote, the Senator from North Carolina [Mr. ERVIN] is paired with the Senator from Massachusetts [Mr. KENNEDY]. If present and voting, the Senator from North Carolina would vote "yea," and the Senator from Massachusetts would vote "nay."

On this vote, the Senator from Florida [Mr. SMATHERS] is paired with the Senator from Oregon [Mr. MORSE]. If present and voting, the Senator from Florida would vote "yea," and the Senator from Oregon would vote "nay."

Mr. HICKENLOOPER. I announce that the Senator from Utah [Mr. BENNETT], the Senator from Kansas [Mr. CARLSON], the Senators from Kentucky [Mr. COOPER and Mr. MORTON], the Senator from Nebraska [Mr. CURTIS], the Senator from Illinois [Mr. DIRKSEN], the Senator from Arizona [Mr. FANNIN], the Senator from Hawaii [Mr. FONG], the Senator from Oregon [Mr. HATFIELD], the Senator from New York [Mr. JAVITS] and the Senators from California [Mr. KUCHEL and Mr. MURPHY] are necessarily absent.

The Senator from Colorado [Mr. DOMINICK], the Senator from Idaho [Mr. JORDAN], and the Senator from Michigan [Mr. GRIFFIN] are detained on official business.

If present and voting, the Senator from Utah [Mr. BENNETT], the Senator from Nebraska [Mr. CURTIS], the Senator from Illinois [Mr. DIRKSEN], the Senator from Colorado [Mr. DOMINICK], the Senator from Arizona [Mr. FANNIN], the Senator from Oregon [Mr. HATFIELD], the Senator from Idaho [Mr. JORDAN], and the Senator from California [Mr. MURPHY] would each vote "yea."

On this vote, the Senator from California [Mr. KUCHEL] is paired with the Senator from New York [Mr. JAVITS]. If present and voting, the Senator from California would vote "yea," and the Senator from New York would vote "nay."

The result was announced—yeas 25, nays 36, as follows:

[No. 161 Leg.]

YEAS—25

Allott	Hruska	Russell
Baker	Jordan, N.C.	Stennis
Brooke	Lausche	Talmadge
Byrd, Va.	McClellan	Thurmond
Cotton	Miller	Tower
Dodd	Mundt	Williams, Del.
Hansen	Pearson	Young, N. Dak.
Hickenlooper	Percy	
Holland	Prouty	

NAYS—36

Aiken	Gore	Pastore
Anderson	Gruening	Pell
Bartlett	Hart	Proxmire
Bayh	Hill	Randolph
Boggs	Jackson	Scott
Brewster	Magnuson	Smith
Burdick	Mansfield	Sparkman
Byrd, W. Va.	McIntyre	Spong
Cannon	Metcalf	Symington
Case	Monroney	Williams, N.J.
Ellender	Moss	Yarborough
Fulbright	Muskie	Young, Ohio



## NOT VOTING—39

Bennett	Griffin	Long, La.
Bible	Harris	McCarthy
Carlson	Hartke	McGee
Church	Hatfield	McGovern
Clark	Hayden	Mondale
Cooper	Hollings	Montoya
Curtis	Inouye	Morse
Dirksen	Javits	Morton
Dominick	Jordan, Idaho	Murphy
Eastland	Kennedy, Mass.	Nelson
Ervin	Kennedy, N.Y.	Ribicoff
Fannin	Kuchel	Smathers
Fong	Long, Mo.	Tydings

So Mr. TOWER's amendments (No. 822) were rejected.

Mr. SPARKMAN. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. MANSFIELD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. TOWER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

## AMENDMENT NO. 829

Mr. TOWER. Mr. President, I call up my amendment No. 829, and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

On page 83, beginning with line 4, strike out all through line 2 on page 96.

Renumber succeeding sections and titles accordingly.

## UNANIMOUS-CONSENT AGREEMENT

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. TOWER. I yield.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that there be a time limitation of 1 hour on the pending amendment, the time to be equally divided, 30 minutes each to the distinguished Senator from Texas [Mr. TOWER] and the distinguished Senator from Alabama [Mr. SPARKMAN].

The PRESIDING OFFICER. Without objection, it is so ordered. Who yields time?

Mr. TOWER. Mr. President, I yield myself such time as I may need.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. TOWER. Mr. President, the effect of my pending amendment would be to delete from the bill the new communities provision. I cannot concur with the inclusion in the pending bill of a program of Government guarantees for the development of entirely new communities.

This is the program which would authorize the Secretary of Housing and Urban Development to guarantee bonds and other obligations issued by developers to finance the cost of acquiring and developing land, after which there would be developed on the land that was acquired homes, schools, and the other usual institutions associated with a self-sustaining city or community.

The economic feasibility of such ambitious undertakings is somewhat at doubt, and past experience in this area has revealed a myriad of pitfalls awaiting the unwary. The speculative nature of these large community development programs is of itself reason to doubt the prudence of allowing the Federal Government to pledge its full faith and credit, to the possible cumulative extent of \$500 million, to such undertakings. It is altogether possible that the only solvency inherent in such undertakings will ultimately be that of the Government's financial exposure. I do not feel that there is anything to support allowing the Government's financial resources to be placed in such a position.

This doubtful proposal is being advanced at a time when the housing problems of America's existing cities and communities have not been resolved, and when the Government's financial resources are being stretched in every way possible to extend assistance for the upgrading of our country's deteriorated neighborhoods and the replacement of substandard housing within the cities.

It would be inappropriate in my opinion, to enlarge the Government's contingent liability in this area when the demands of existing programs are so hard to meet. The homebuilding industry has at its disposal a comprehensive selection of Government housing programs, to which would be added the new lower income programs created by this bill, with which it can undertake the orderly development of quantities of housing ranging from individual structures to entire subdivisions and neighborhoods. The industry possesses the financial resources, when economic feasibility is present, to absorb the necessary costs of land development to implement these programs.

I feel that it is both sufficient and desirable that such development be undertaken within or contiguous to our country's existing cities and communities where existing governmental services and established amenities will be available to the occupants of the housing produced, and likewise, where such housing will enhance and supplement the needs of these cities and communities and their governments. This will certainly result in development activities that are more responsive to local needs than would be the case where entire cities and communities are created that would tend to reflect instead the whims of the Secretary of Housing and Urban Development.

This is no time for us to guarantee \$500 million to speculative schemes involving the new communities, new cities, new towns, or whatever one wants to call them. There have been a number of these that have sprung up all over the country, and I do not know of any that have been a great financial success. At a time when we should be addressing ourselves to the problems of existing urban areas, why should we go chasing off after a scheme to build new communities?

This is a speculative type of operation. The home building and financial communities have the resources to engage in this type of speculative development, if they choose to do so. I see no reason why, at a time when we are facing a fiscal and monetary crisis, we should back them

up with the resources of the Government of the United States.

Mr. SPARKMAN. Mr. President, my comments with respect to this amendment shall be brief.

As I understand the amendment, it would strike out the provisions in the bill relating to the guarantee of bonds enacted by sponsors of new communities.

Mr. TOWER. Yes.

Mr. SPARKMAN. Mr. President, the question of new communities was discussed in our committee for 3 years before it was finally put into the law, as a provision for providing mortgage insurance for larger subdivisions, in 1965. The subdivision insurance provision was later amended and broadened in 1966 to include new communities.

In the beginning, I was opposed to the proposal for establishing an FHA insurance program for new communities. I have stated on the floor of the Senate that I was opposed to such a program. Nevertheless, such a program has been written into the law because it was felt that by developing large tracts of land for new communities it would be more economically feasible to build great amounts of housing. The insurance program has been on the statute books for only 2 years now and, I am advised that no applications have thus far been approved for this type of development.

The existing program, as I have indicated is based on the financing of new communities through mortgages. HUD has asked for a new method of financing this type of development; namely, that of permitting HUD to guarantee the bonds of developers who undertake a new community development.

The only point I wish to make in this connection is that the program has not had a true test since not one application has been approved under the existing program.

Originally, I opposed the program, but I accepted it when the program was written into the law; and I believe that now, since it is in the law, we should allow this alternative financing method in order to see if the program can prove itself.

Mr. HOLLAND. Mr. President, will the Senator yield for a question?

Mr. SPARKMAN. I yield.

Mr. HOLLAND. I note that under the heading of "Labor" on page 90 of the bill, it is provided that all laborers and mechanics employed by contractors or subcontractors in the land development program shall be paid such sums as set by the Secretary of Labor in accordance with the Davis-Bacon Act. The Davis-Bacon Act, of course, applies to payments of wages and salaries when persons are employed on the building of public buildings.

Mr. SPARKMAN. Yes, that is true. As a matter of fact, that provision is applicable already in existing law to all rental housing constructed under FHA programs. Single family home construction is not covered by the Davis-Bacon Act. That is the uniform application and it has been for a long time.

Mr. HOLLAND. That covers, of course, the cost of artisans in the building of homes. But this project covers a good



deal more, does it not, than the building of homes?

I read from page 93:

(a) The term "land development" means the process of grading land, making, installing, or constructing water lines and water supply installations, sewer lines and sewage disposal installations, steam, gas, and electric lines and installations, roads, streets, curbs, gutters, sidewalks, storm drainage facilities, and other installations or work, whether on or off the site, which the Secretary deems necessary or desirable to prepare land for residential, commercial, industrial, or other uses, or to provide facilities for public or common use.

It seems to me that making the provisions of the Davis-Bacon Act apply to all of the great scope of work—of course there are many types of work—is different from the provision of which the Senator spoke, and which is now in the law.

Mr. SPARKMAN. I believe it is exactly the same as would apply to the building of an apartment house where the land had to be prepared, and so forth. I believe this is the same rule. Certainly, we did not try to incorporate a new rule.

Mr. HOLLAND. Having had some experience with the development of new communities, I know that much more is involved than would be involved in the ordinary building of an apartment house or a condominium or a structure which would involve some little work in leveling the ground and in connecting with the electric system, the gas system, the water system, and so forth. This seems to cover all work done in what is termed "land development," and I have read what is defined as land development.

Mr. SPARKMAN. Of course, the housing cannot be built until the land is developed. That is part of this program, to make it possible to develop the land on a large scale, to make it available for the erection of different types of housing, perhaps several different apartment houses, row houses, and houses of every type. The rule that is laid down here is the same as that which applies in all other housing. I am confident of that. I said "all other housing." I mean, of course, all rental housing and housing constructed under the FHA 213 cooperative housing program.

Mr. HOLLAND. My observation of new developments of this type is such that I know they customarily cover areas of from 40 to 80 or 160 acres, and sometimes as much as a square mile in my State—sometimes several square miles. The application of the Davis-Bacon Act to a new facility of that type seems to me to be a much broader application than anything we have heard of heretofore in this field.

Mr. SPARKMAN. I do not believe that the type of development the Senator is talking about would be under the Davis-Bacon Act, because he is speaking only of preparing the site, without the buildings to be a part of it. This relate to new communities, and this is in the existing law with respect to new communities.

Mr. HOLLAND. The new community building, as projected under this bill, goes very far, it seems to me. In my State, new communities go all the way from several square miles down to comparatively large acreage.

The next point is this: I note that subparagraph (b) of section 412, on page 91, contains these words:

(b) In no case shall any grant under this section exceed 20 per centum of the cost of the new community assistance project for which the grant is made; and in no case shall the total Federal contributions to the cost of such project be more than 80 per centum.

Do I correctly understand that this applies to fire stations, police stations, school buildings, and matters of that type which are to be needed in the new community?

Mr. SPARKMAN. No. This is primarily for water and sewer systems, which the local body supplies. This is to aid the local city or community, wherever the area is, to provide water and sewer systems.

Mr. HOLLAND. I note here that the limit of Federal assistance shall not exceed 80 percent of the cost. In this section we are not talking about guarantees; we are talking about Federal contributions.

Mr. SPARKMAN. Contributions; yes. The Senator is correct.

Mr. HOLLAND. Then, we have in mind new communities in which the Federal Government will be expected to pay anywhere from 20 to 80 percent of the cost of schools, the police station, the fire station, the water facilities, and others that are public facilities; are we not?

Mr. SPARKMAN. Of course, there is a Federal program to assist public bodies and communities in supplying water and sewer systems.

Mr. HOLLAND. Does the Senator mean new, planned communities, just starting out? I do not know of any such program.

Mr. SPARKMAN. The Senator is familiar with one program we enacted into law just 2 or 3 years ago to provide assistance even though it were out in a rural area.

Mr. HOLLAND. That is the Farmers Home Administration program. Now, we are talking about building new, highly developed communities; are we not?

Mr. SPARKMAN. It is a part of the housing. In this event the community might make a grant of as much as 50 percent. This provides 20 percent in addition to that, but in no event is the cost of such project to be more than 80 percent.

Mr. HOLLAND. This permits the Secretary himself to make supplementary grants?

Mr. SPARKMAN. The Senator is correct.

Mr. HOLLAND. The conditions are that the grant shall not exceed 20 percent and that his grant, when taken in conjunction with the other Federal grants, shall not exceed 80 percent of the cost?

Mr. SPARKMAN. The Senator is correct.

Mr. HOLLAND. It seems to me that this is practically underwriting the construction of the needed public facilities in planned, new communities. It seems to me that such a course would be very unfair to communities recently established and which are being developed by the dozens, in my own State.

How can we possibly justify such generous help as this to a new community now being planned and whose plans are

approved by the Secretary of Housing and Urban Development?

Mr. SPARKMAN. The basic grant under the existing law is found in section 702 of the National Housing Law and is 50 percent. This is a supplementary grant. That is the title of the section. It permits additional grants not to exceed 20 percent in connection with any one project.

Mr. HOLLAND. We have a great many private enterprises in my State, and I know this happens to be true in the State represented by the Senator from Texas. It is true to a lesser extent in all States, but is particularly true in States growing rapidly where many, many new communities are being built by private enterprise.

It looks to me as if this kind of program, if allowed to be enacted into law, supported by a one-half-billion-dollar program, is decidedly unfair and unjust when contrasted with completely privately developed communities.

I wonder if the Senator has a comment on that point?

Mr. SPARKMAN. This is not something brand new that we are seeking to enact into law. It is merely providing an alternative financing method for something that has been in the law since 1966. These so-called planned communities have had a very hard time. I am not sure it can be satisfactorily shown that private undertakings have been successful. I know several such undertakings that have not been successful. I know Senators have read in the newspapers just recently about the difficulties incurred by one community near Washington about which we initially heard glowing reports. I refer to the new town of Reston, Va. The committee studied this new financing method on the recommendation of the Housing Department and the committee decided we should help these undertakings in the manner set forth in the bill.

Mr. HOLLAND. I have just two comments to make on this point. First, it is evident that the law that is on the books now has not been very successful and this is an effort to provide much larger Federal participation. In the second place, I wish to make clear that in addition to the one new community which the Senator refers to, one cannot go out from Washington in any direction, in Virginia or Maryland, that he does not run into several of these new communities which have been developed by private enterprise and which are continuing their development. Many of them have not been built on anything more than a proportion of the lots which they set out to develop.

Of course, their investments for water facilities, and the like, have been put in with a view to supplying the entire community when it is completed.

It seems to me we could not go into a matter as large and as generous as this without seriously affecting for the worst many, many such communities. Certainly, that would be the case in my State.

Mr. SPARKMAN. I think the Senator must be speaking about large subdivisions rather than what is usually known as new towns or new communities. There are in fact very few of them. Very few, if any, have been successfully completed.



There is one out here in Maryland by the name of Columbia. Then there is one in Virginia called Reston. These are the only new towns I know of around Washington.

(At this point, the Acting President pro tempore assumed the chair.)

Mr. TOWER. Mr. President, will the Senator yield?

Mr. SPARKMAN. I yield.

Mr. TOWER. Sometimes subdivisions take on a corporate identification. They may be contiguous to an existing urban area, but still they take on a corporate identification.

Mr. SPARKMAN. The Senator is correct. I believe the Senator is talking about subdivisions rather than new communities.

Mr. HOLLAND. Mr. President, I shall name a half dozen communities off the top of my hat. In my State alone, there are such communities as Sun City, Fla.; Cape Coral, Fla.; Lehigh Acres, Fla.; Port Saint Lucie, Fla., and others that can be thought of in a few minutes. They are new communities. Port Charlotte is the largest town in its county, which is Charlotte County. Just a few years ago it was nothing but a strip of completely undeveloped territory. It was planned as a city, developed as a city, and it is a city. My recollection is that the other day in talking to the lawyer for the county commission he told me there were more than 8,000 people in that town.

I think I have named five or six. Another instance would be the new community on Marco Island.

It seems to me that we cannot go into this type of business without being exceedingly unfair to the developers of those new communities. None of them that I have mentioned are completely developed, yet all of them are successful and they are all organized as separate communities, served by separate facilities, and counting on additional sales of lots and the building of additional thousands of homes.

It seems to me that to pass this kind of law would invite competitors financed largely by Federal funds. So unless I am shown something different from the way this proposal looks to me now, I would have to say that I would not possibly support this title. As I see it, it is exceedingly unfair to private enterprise developers of new communities, of which there are many. One of the them, Bel Air, is located in Prince Georges County, Md., not far from here. I have not been in it, but I have been in the one built by the same people, the Levitts, close to Trenton, N.J. It is quite a city, and it was developed by private enterprise.

We simply cannot get into this kind of operation on this scale—\$500 million for the first shot—without seriously jeopardizing investments, which are very large, indeed.

I thank the Senator for yielding.

Mr. COTTON. Mr. President, will the Senator yield?

Mr. SPARKMAN. I yield.

Mr. COTTON. I wanted to try to make certain that I understood—it has been talked about enough so that we ought to know—the definition of "new commu-

nity." I have in mind a small city in my own State that has had an expansion of industry and is seeking to construct a new housing development to take care of the new workers. The city has had some difficulty, because unless rent supplements are combined with help for housing, the new housing development cannot be constructed to take care of the new workers without getting the rent up so high that it would not be within the reach of the new workers.

I am trying to find out whether the phrase "new community" would include a situation in which a new development was taking place, on the outskirts of a city, or whether the development would have to be a new city or a new town having a form of government separate from the original community.

Mr. SPARKMAN. Of course, many times, the definition is rather vague as between what could constitute a new town and what could not; but my understanding of a new town or a new community is that it is within itself a completely new unit. Ordinarily, expansion on the edge of a city is what we would call a subdivision. Some of those subdivisions becomes enormous.

Subdivisions like Belair in Maryland are not new communities or new towns within the meaning of the term. I should think under the description the Senator from New Hampshire gives, that a subdivision would take care of the situation.

Mr. COTTON. Does the Senator mean that this money, if it were authorized and appropriated, might be available in that case, or it would not be available? It is not a new town.

Mr. SPARKMAN. Grants for water and sewer systems support is available in any case.

Mr. COTTON. Under the bill?

Mr. SPARKMAN. Under the law.

Mr. COTTON. Under the law.

Mr. SPARKMAN. Under the law.

Mr. COTTON. In this particular case.

Mr. SPARKMAN. This says that the Secretary of Housing and Urban Development may, when he finds it necessary to enable the community to develop as a community, increase the grant by 20 percent.

Mr. COTTON. It refers, then, only to water, sewage, and other—

Mr. SPARKMAN. The Senator is right.

Mr. COTTON. Not to construction.

Mr. SPARKMAN. No, not to construction.

Mr. COTTON. That answers my question. I thank the Senator.

Mr. TOWER. Mr. President, I note that it is pretty difficult to distinguish new communities from subdivisions, as something contiguous to, or part of a city, or outside city limits. Actually, the new communities are located in the proximity of major urban areas and take on the character of suburbs or subdivisions. Because we move them 5 miles into the country does not mean that they are not part of a metropolitan complex, which they become a part of.

I believe that we should not be in the business of subsidizing or underwriting speculative projects, particularly in light of what the distinguished Senator from

Florida says, that it competes with those who are trying to make it on their own, so to speak. So far, we do not have any rule that we should get into that.

Mr. HOLLAND. Levittown, Pa., to which I have referred, is a rather full town. It is not all residential. It has plenty of other facilities.

Mr. SPARKMAN. The Senator is right. But it is built as a subdivision.

Mr. HOLLAND. It is as much of a new town as Reston, except that it is successful and Reston, as the Senator has said, is not in full success as yet.

The Senator referred to Columbia. I have seen it referred to as a new community. We have them in my State which, as the Senator knows, is growing rapidly. There are numerous instances of that kind. The stock of the companies that do the developing is sold on the New York Stock Exchange. They have high standing. The idea of coming in here with a fund by way of a grant and coupling it on to other grants that might go as high as 80 percent to build certain utilities and conveniences within it, and then the guaranteed bond being up to \$500 million, it seems to me, gives improper advantage to communities that would be picked out by the Secretary of House and Urban Development for this kind of help as compared with those still making a go of it through the exercise of private enterprise. And they are doing it. I am told—I have not been on the outskirts of great cities in California recently—that there are numerous examples of new communities in the San Francisco Bay area, in the general areas around Los Angeles and Los Angeles County, in the general areas around San Diego, and, I am sure, elsewhere in that far western State.

I just do not like to see the Government getting into this kind of thing which will disturb so greatly those who are presently operating successfully, are adding to this country's wealth and development, and are adding to the housing prospects and possibilities of our people. To have the Government come in in such a way as this, to my mind, would be distressing. It is for that reason I take the position I do.

Mr. LAUSCHE. Mr. President, will the Senator from Alabama yield for a question?

Mr. SPARKMAN. I yield.

Mr. LAUSCHE. For the purpose of getting a clearer understanding of what is involved, do I understand correctly that under existing law a new community or subdivision would be entitled to aid for the installation of sewerage and water supply facilities in an amount equal to 50 percent of the cost?

Mr. SPARKMAN. That is correct. That is basic law.

Mr. LAUSCHE. Now, under the subject which has been discussed, a community as distinguished from a subdivision would be entitled to additional aid—

Mr. SPARKMAN. It might be—

Mr. LAUSCHE (continuing). At the discretion of HUD?

Mr. SPARKMAN. That is correct.

Mr. LAUSCHE. For what purpose would this additional aid be used? For what? Water and sewer?



Mr. SPARKMAN. Primarily water and sewer.

Mr. LAUSCHE. Primarily; but would the Secretary have the authority to make additional grants for other installations?

Mr. SPARKMAN. No; 20 percent for water and sewer.

Mr. LAUSCHE. Does the bill define a "community" such as the Senator has been discussing here?

Mr. SPARKMAN. I do not find a definition of the word as such, but there are conditions that the Secretary must find to exist.

Section 1004 of the National Housing Act reads:

New communities consisting of developments, satisfying all other requirements under this Title, may be approved under this section by the Secretary for mortgage insurance if they meet the requirements of subsection (b) of this section.

Mr. LAUSCHE. What is the difference between a "subdivision" and a "community"?

Mr. SPARKMAN. "Community" refers to a complete community with provision made for streets, churches, fire departments, and everything necessary for the operation of a city. A subdivision is usually a collection of homes. Subdivisions sometimes have other facilities, true, but, generally, they are nothing more than a collection of homes.

Mr. LAUSCHE. A community pretty nearly establishes a new governmental unit?

Mr. SPARKMAN. A new community would.

Mr. LAUSCHE. A new community would?

Mr. SPARKMAN. Yes; and it is entitled to funds and grants for water and sewer, just as is an established city.

Mr. LAUSCHE. Forgetting for the moment the added 20 percent that the Secretary of Housing and Urban Development may allow in his discretion, what other type of aid would the development of such a community be entitled to?

Mr. SPARKMAN. The land could be insured, as would the buildings be, under FHA, but that is a regular FHA insurance program.

Mr. LAUSCHE. Would the aid provided for the low income family be applicable to a new community?

Mr. SPARKMAN. Yes; it is applicable anywhere.

Mr. LAUSCHE. Would supplemental rents also be applicable?

Mr. SPARKMAN. The Senator means would the rent supplement program be authorized if such buildings were constructed there?

Mr. LAUSCHE. Yes.

Mr. SPARKMAN. It would be.

Mr. LAUSCHE. Does not this operate as an inducement for people to move out of the big cities and move into new communities?

Mr. SPARKMAN. Yes.

Mr. LAUSCHE. What do the big city people who are trying to keep what has been called the exodus from continuing say when Congress creates conditions inducing the exodus?

Mr. SPARKMAN. As a matter of fact, the mayors of the big cities who have appeared before our committee usually

have approved the idea. Usually there is bound to be a spilling out into the suburbs, where traffic congestion is a problem, and the alternative is to have a community by itself.

Mr. LAUSCHE. But the fact is that the big cities are crying because people are moving out. They are begging the Government to create inducements to have the people remain. The Federal Government is giving them help to induce people to stay there. But here the Federal Government is giving help to induce people to move out. The two do not go hand in hand, it seems to me. There seems to be some conflict. Perhaps they are both desirable.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. TOWER. Mr. President, I yield such time out of my time as the Senator from Alabama needs.

Mr. SPARKMAN. I do not need any time.

Mr. TOWER. Mr. President, I am prepared to yield back my time.

Mr. HOLLAND. Mr. President, will the Senator yield to me for one moment?

Mr. TOWER. I yield such time as he may need to the Senator from Florida.

Mr. HOLLAND. Mr. President, I would like to call to the attention of the Senator from Ohio the purpose of title IV, entitled "Guarantees for Financing New Community Land Development," as set forth on page 83 of the bill. I shall read two of those purposes, indicating how broad this program is. The first defines a new community as that which:

(1) contributes to the general betterment of living conditions through the improved quality of community development made possible by a consistent design for the provision of homes, commercial and industrial facilities, public and community facilities, and open spaces.

All those things are to be guaranteed contributions for these new communities. That is the first.

No. 5 reads:

Enlarge housing and employment opportunities by increasing the range of housing choice and providing new investment opportunities for industry and commerce.

So we see how far reaching this program is. The guarantee program, and the grant program that goes along with it, reach very far into almost every type of development, extending to open-spaced development for new communities.

I thank the Senator from Texas for yielding to me.

Mr. TOWER. Mr. President, I ask for the yeas and nays on my amendment.

The yeas and nays were ordered.

Mr. TOWER. I yield back the balance of my time, Mr. President.

The PRESIDING OFFICER. The question is on agreeing to the amendments of the Senator from Texas. All time has been yielded back. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. BIBLE], the Senator from Hawaii [Mr. INOUE], and the Senator from Missouri [Mr. LONG], are absent on official business.

I also announce that the Senator from Idaho [Mr. CHURCH], the Senator from Pennsylvania [Mr. CLARK], the Senator from Mississippi [Mr. EASTLAND], the Senator from North Carolina [Mr. ERVIN], the Senator from Oklahoma [Mr. HARRIS], the Senator from Indiana [Mr. HARTKE], the Senator from South Carolina [Mr. HOLLINGS], the Senator from Massachusetts [Mr. KENNEDY], the Senator from New York [Mr. KENNEDY], the Senator from Louisiana [Mr. LONG], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Wyoming [Mr. MCGEE], the Senator from South Dakota [Mr. MCGOVERN], the Senator from Minnesota [Mr. MONDALE], the Senator from New Mexico [Mr. MONTOLYA], the Senator from Oregon [Mr. MORSE], the Senator from Wisconsin [Mr. NELSON], the Senator from Connecticut [Mr. RIBICOFF], the Senator from Florida [Mr. SMATHERS], and the Senator from Maryland [Mr. TYDINGS], are necessarily absent.

I further announce that, if present and voting, the Senator from Massachusetts [Mr. KENNEDY], the Senator from New York [Mr. KENNEDY], and the Senator from Maryland [Mr. TYDINGS], would each vote "nay."

On this vote, the Senator from Mississippi [Mr. EASTLAND] is paired with the Senator from Pennsylvania [Mr. CLARK]. If present and voting, the Senator from Mississippi would vote "yea" and the Senator from Pennsylvania would vote "nay."

On this vote, the Senator from North Carolina [Mr. ERVIN] is paired with the Senator from Connecticut [Mr. RIBICOFF]. If present and voting, the Senator from North Carolina would vote "yea" and the Senator from Connecticut would vote "nay."

On this vote, the Senator from Florida [Mr. SMATHERS] is paired with the Senator from Oregon [Mr. MORSE]. If present and voting the Senator from Florida would vote "yea" and the Senator from Oregon would vote "nay."

Mr. HICKENLOOPER. I announce that the Senator from Utah [Mr. BENNETT], the Senator from Kansas [Mr. CARLSON], the Senators from Kentucky [Mr. COOPER and Mr. MORTON], the Senator from Nebraska [Mr. CURTIS], the Senator from Illinois [Mr. DIRKSEN], the Senator from Arizona [Mr. FANNIN], the Senator from Hawaii [Mr. FONG], the Senator from Oregon [Mr. HATFIELD], the Senator from New York [Mr. JAVITS], and the Senators from California [Mr. KUCHEL and Mr. MURPHY] are necessarily absent.

If present and voting, the Senator from Nebraska [Mr. CURTIS], the Senator from Arizona [Mr. FANNIN], and the Senators from California [Mr. KUCHEL and Mr. MURPHY] would each vote "yea."

On this vote, the Senator from Utah [Mr. BENNETT] is paired with the Senator from Oregon [Mr. HATFIELD]. If present and voting, the Senator from Utah would vote "yea" and the Senator from Oregon would vote "nay."

On this vote, the Senator from Illinois [Mr. DIRKSEN] is paired with the Senator from New York [Mr. JAVITS]. If present and voting, the Senator from Illinois would vote "yea" and the Senator from New York would vote "nay."



The result was announced—yeas 27, nays 38, as follows:

[No. 162 Leg.]

YEAS—27

Allott	Hansen	Monroney
Baker	Hickenlooper	Mundt
Bartlett	Holland	Russell
Boggs	Hruska	Stennis
Byrd, Va.	Jordan, N.C.	Talmadge
Cotton	Jordan, Idaho	Thurmond
Dodd	Lausche	Tower
Dominick	McClellan	Williams, Del.
Ellender	Miller	Young, N. Dak.

NAYS—38

Alken	Hart	Percy
Anderson	Hayden	Prouty
Bayh	Hill	Proxmire
Brewster	Jackson	Randolph
Brooke	Magnuson	Scott
Burdick	Mansfield	Smith
Byrd, W. Va.	McIntyre	Sparkman
Cannon	Metcalf	Spong
Case	Moss	Symington
Fulbright	Muskie	Williams, N.J.
Gore	Pastore	Yarborough
Griffin	Pearson	Young, Ohio
Gruening	Pell	

NOT VOTING—35

Bennett	Harris	McGee
Bible	Hartke	McGovern
Carlson	Hatfield	Mondale
Church	Hollings	Montoya
Clark	Inouye	Morse
Cooper	Javits	Morton
Curtis	Kennedy, Mass.	Murphy
Dirksen	Kennedy, N.Y.	Nelson
Eastland	Kuchel	Ribicoff
Ervin	Long, Mo.	Smathers
Fannin	Long, La.	Tydings
Fong	McCarthy	

So Mr. TOWER's amendment (No. 829) was rejected.

Mr. SPARKMAN. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. MANSFIELD. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. RUSSELL. Mr. President, I send an amendment to the desk and ask that it be stated.

The ACTING PRESIDENT pro tempore. The amendment will be stated.

The assistant legislative clerk read as follows:

On page 197, beginning with "the" in line 20, strike out all through "year" in line 3, on page 198, and insert the following: "(A) the State, or a government corporation or fund established pursuant to State law, will reimburse the Corporation, in an amount up to 5 per centum of the aggregate property insurance premiums earned in that State during the preceding calendar year on those lines of insurance reinsured by the Corporation in such areas during that year, and (B) each municipality of that State will reimburse the Corporation, in an amount up to 5 per centum of the aggregate property insurance premiums earned in that municipality during the preceding calendar year on those lines of insurance reinsured by the Corporation in that municipality during that year".

UNANIMOUS-CONSENT AGREEMENT

Mr. MANSFIELD. Mr. President, will the Senator yield without losing his right to the floor?

Mr. RUSSELL. I yield.

The ACTING PRESIDENT pro tempore. Will the Senator suspend while we have order? Let there be order in the Chamber.

The Senator may proceed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that there be a time limitation of 1 hour on the pending

amendment, the time to be equally divided between the distinguished Senator from Georgia [Mr. RUSSELL] and the distinguished Senator from Alabama [Mr. SPARKMAN].

The ACTING PRESIDENT pro tempore. Is there objection? The Chair hears none, and it is so ordered.

Mr. RUSSELL. Mr. President, among the new agencies created in the pending bill is the National Insurance Development Corporation, which is an organization to reinsure the policies of the insurance companies in areas where the insurance costs are particularly high due to rioting and civil disorders.

The purpose of the pending amendment is to make the cities a party to this matter, as well as the States. Under the language in the pending bill, it is stated that the States are compelled to put up a sum equal to 5 percent of the insurance premiums of that type that are paid within the State. There is no obligation on the cities.

Mr. President, under our system, the primary law enforcement duty is on the cities. And it seems to me that they certainly should have a responsibility at least commensurate to the States.

It would be to the advantage of the cities in some cases to say, "Burn, baby, burn," and let the ghetto areas of the city be consumed, because they would have no responsibility whatever in connection with the insurance payments that would ensue as a result of such destruction, but the State would have a responsibility.

The people who live in the States but not within the cities would have to contribute to this fund. They would have to contribute to it in two ways—first, through the State, and second, they would have a potential liability through the power that is given this new corporation to borrow from the Federal Treasury.

It seems to me that since the primary duty to enforce law and order is with the city, the least we could do would be to call on the cities to put up 5 percent of the amount of the premiums on this particular type of insurance, which is not clearly defined in the bill, but which will be subject to negotiation between the new corporation and the insurance companies. They should likewise contribute 5 percent. Only in that way will they feel an equal responsibility for preserving law and order, for preventing the burning of buildings in these high-cost insurance areas.

It could be to their advantage that these buildings burn, because their people would not only collect the insurance, but they would also immediately be in a position to file application for urban renewal, slum clearance, and other Federal assistance available in matters of this kind.

Mr. President, it seems inescapable to me that the cities should be a party to the program. And for that reason I have prepared and offered the pending amendment.

Under the pending bill as reported by the committee, the State must contribute 5 percent of the amount of the premiums of insurance of this type throughout the

entire State. That means a contribution on the part of some who could not possibly benefit from the payment of the insurance. Because many areas have little or no likelihood of riots.

It seems to me that the least we could do would be to say that those within the cities who will benefit from the existence of this reinsurance and the payment of the insurance in the event of destruction of property during civil disorders should likewise put up 5 percent.

That is all that the pending amendment proposes to do.

Mr. CANNON. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. CANNON. Mr. President, does the Senator mean to substitute the cities for the States?

Mr. RUSSELL. No, I do not. I leave the States in, but I would add the cities in addition.

We ought to do something to relieve part of the burden that is sought to be placed on the Federal Government. That is a very minor contribution to the obligation that the Federal Government is assuming on this total reinsurance program. To have 5 percent contribution from the State and then 5 percent contribution from within the city itself which would, of course, be much less than the 5 percent contribution that is already required of the State under the pending bill as reported by the committee, seems to me to be imminently reasonable.

Mr. COTTON. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. COTTON. Mr. President is the pending amendment meant to apply to cities of a certain size or certain population or to any subdivision that exists within a city form of government?

Mr. RUSSELL. In my opinion it would apply to any municipality which held a charter from the State in which the municipality is located.

That is much more definite than some of the other provisions of the title which leave the whole problem of fixing the amount of the payments and the responsibility to future contracts between the corporation, which is within HUD, and the insurance companies.

Mr. COTTON. Mr. President, I thank the Senator.

Mr. RUSSELL. Mr. President, I reserve the remainder of my time.

Mr. SPARKMAN. Mr. President, I wonder if the Senator from Georgia would follow his amendment with me and if he would be willing to accept this modification:

In line 3, strike out "(A)"—

So that it would then read:

The State or a government corporation or a fund established pursuant to State law—

The ACTING PRESIDENT pro tempore. The Chair and the clerk cannot hear the Senator. The Senate will be in order.

The Senator may proceed.

Mr. SPARKMAN. Mr. President, I wonder if the Senator from Georgia would be willing to accept the following modification:

In line 3, strike out "(A)"—



So that the amendment would then read:

The State, or a Government corporation or fund established pursuant to State law . . . .

Then, dropping down to near the bottom:

Strike out "(B)"—

So that it will then read:

Each municipality of that State will reimburse the Corporation, in an aggregate amount up to 5 per centum of the aggregate property insurance premiums earned in that State during the preceding calendar year on those lines of insurance reinsured by the Corporation in that municipality during that year.

I think that ties in the municipalities in that State.

Mr. RUSSELL. Mr. President, I know that I am dealing with an expert in this matter—the distinguished manager of the bill. I had an opportunity to read the bill only casually Saturday and yesterday. However, that could have the effect of materially reducing the contribution of the State and of the municipality to this reinsurance liability fund.

I do not think that 5 percent from the State and 5 percent from the municipality—which, of course, will be much less than the 5 percent from the State in total, because there will be a good deal of this insurance in areas that are not incorporated—is too much to expect. It does not seem that that is too much to ask of people who have the primary obligation for preserving law and order and those who will be the beneficiary of 100 percent of whatever payments are made out of the fund.

Mr. SPARKMAN. The percentage is not changed. It is the same.

Mr. RUSSELL. I understand. But the Senator is merging the liability of the State into that of the municipalities.

Mr. SPARKMAN. In the amendment of the Senator it is 5 percent of the aggregate property insurance in the State and in the city. In the proposal I have offered, it is 5 percent of the aggregate property insurance to be raised by the State and the city. The amendment I offered brings in both the State and the cities, but they work together to decide how it should be distributed between the two.

Mr. RUSSELL. It seems to me that that is another vagueness that is inserted into the proposed legislation. It is already replete with vagueness. To have the States and the cities get together and agree on what they are going to contribute, this rather pathetic 5 percent—

Mr. SPARKMAN. The 5 percent is the same as the Senator proposes.

Mr. RUSSELL. But I propose 5 percent from the State and an additional 5 percent from the cities—10 percent in all. There is a good deal of difference in that and in a 5 percent that is overall, that will be divided up in liability as between the State and the municipalities.

Mr. ELLENDER. Mr. President, I should like to ask a question.

The ACTING PRESIDENT pro tempore. Does the Senator from Alabama yield to the Senator from Louisiana?

Mr. SPARKMAN. I do not wish all my time consumed.

The ACTING PRESIDENT pro tempore. The Senator from Alabama has the floor.

Mr. SPARKMAN. How much time does the Senator from Louisiana desire?

Mr. ELLENDER. I should like 1 minute.

Mr. SPARKMAN. I yield 2 minutes to the Senator from Louisiana.

Mr. ELLENDER. With respect to 5 percent from the State and 5 percent from the cities, does that mean the cities will put up 10 percent and the State 5 percent?

Mr. SPARKMAN. Not under my provision.

Mr. ELLENDER. I mean under the amendment of the Senator from Georgia. The cities would have to put up 10 percent and the State 5 percent?

Mr. RUSSELL. No. It would be 10 percent, but 5 percent would come from the State and 5 percent from the municipalities.

Mr. SPARKMAN. I wonder whether this though should be explored: that the people who are going to support the statewide premium are likewise the people who are going to support the citywide premium.

Mr. RUSSELL. That is partially correct. How about the Federal taxpayer? How about the people of these States who are not able to participate in those programs at all because they do not have riots.

Mr. SPARKMAN. The Senator's amendment relates only to distribution within individual State.

Mr. RUSSELL. That is correct.

Mr. SPARKMAN. That does not affect the Federal contribution at all.

Mr. RUSSELL. It helps to ease the Federal burden, because it increases the contribution of participants other than the Federal Government.

Mr. SPARKMAN. It does not become an additional amount so far as this is concerned.

Mr. RUSSELL. Oh, yes. It would be more under this amendment.

Mr. SPARKMAN. But it would be the same all over the country.

Mr. RUSSELL. The Senator is in effect going to tax every person, everywhere, to get this fund; and he is saying that within the States that enter into the fund, they shall pay 5 percent of the premiums that were paid on similar type property in the year before—on this so-called riot property.

Mr. PASTORE. Mr. President, will the Senator yield me 2 minutes?

Mr. SPARKMAN. I yield 2 minutes to the Senator from Rhode Island.

Mr. PASTORE. Mr. President, I am very much in sympathy with what the Senator from Georgia is trying to accomplish, but, to be realistic about the problem, many of our cities are in financial trouble. The only place they can go to raise taxes is to the homeowner. And real estate taxes today have reached the point at which it is almost prohibitive to own a house in many cities.

A short time ago—this is where we are becoming quite inconsistent—there was a tremendous movement on the floor of

the Senate, during consideration of the Omnibus Crime Control and Safe Streets Act of 1968, for block grants. It was argued at that time that the State should have the authority, because only the State can call out the National Guard and the State can enforce the law. If we want a 10-percent contribution, let us look to the State and let the State work it out, as the Senator from Alabama has suggested. The cities are already troubled, because they do not have sufficient money to pay teachers, firemen, and policemen—so much so that we passed this past week a bill to help them, so that they could raise the salaries of their policemen.

Now we say the cities have to come up with a 5-percent guarantee. I am afraid that is too much a burden for the cities to bear.

If 10 percent should be the minimum that the States and the cities should contribute, then I say we should look to the States and let the States work it out with the cities.

I believe this amendment will be adding insult to injury. Only a short time ago we said, "Let us have block grants, because the State is responsible, the State can call out the militia, the State can guarantee protection. So let the State get the money."

When it comes to pay out then we say let us look to the city; when it comes to give grants, look to the State. I believe we are being inconsistent.

Mr. ANDERSON. Mr. President, will the Senator yield?

Mr. SPARKMAN. I yield.

Mr. ANDERSON. Has this proposal been submitted to a rating bureau?

Mr. SPARKMAN. This was worked out with the insurance industry and with the various State insurance authorities, represented by the National Association of Insurance Commissioners.

Mr. ANDERSON. It has been approved by the insurance companies?

Mr. SPARKMAN. I do not mean the amendment I propose, but the provision contained in the bill.

Mr. ANDERSON. I invite the attention of the Senator from Georgia to the fact that 10 percent is a large insurance premium.

Mr. RUSSELL. I do not know what the Senator is referring to, but this is 10 percent of the insurance policies that are paid on the high-risk insurance in areas which are likely to have riots and civil disorders.

The Senator from New Mexico knows so much more about insurance than I do that I hesitate even to mention the word "insurance" in his presence.

But this is not a gigantic sum. In some cities it will hardly amount to anything; in others, it may be a substantial sum.

But the cities have the right to levy taxes on insurance premiums. They have a right to levy taxes on people who acquire insurance. And these people are going to be the beneficiaries of this insurance. It seems to me that they should contribute something.

Mention has been made of people in bad financial condition. Look at the national debt of this country and the billions of dollars that we owe. I think it is



about time that we commiserate a little with the Federal Government and the people of the United States. They also have considerable financial problems which are rapidly increasing.

Mr. SPARKMAN. I will say this to the Senator from Georgia: If he will accept the proposal I have offered, I will accept his amendment.

Mr. RUSSELL. I am not sure I understand the Senator's proposal. I know it is going to reduce the contributions that are to be made locally to this fund. I am not in favor of putting the Federal Government into the insurance business. I think we have enough corporations and agencies of the Federal Government already. But if this is going to be done, and this bill does, and it puts an obligation on the States, I say that the city and the municipal authorities are primarily responsible for the preservation of law and order; and we ought not dangle before them the prospect of a benefit or a subsidy by not utilizing all their power to enforce law and order in the community. Unless we put some responsibility on the cities, they have no feeling of obligation whatever to assert law and order and to preserve it within the city, insofar as this proposal is concerned.

Mr. SPARKMAN. Mr. President, I say this to the Senator from Georgia: The State has the right, under this proposal, to arrange with the municipalities a share of the financial responsibility to be borne by them. In other words, nothing in the proposal says that the State shall pay so much and the municipalities so much. The arrangement would be worked out between them.

Mr. RUSSELL. As to the 5 percent?

Mr. SPARKMAN. Yes. After all, the State is the supreme power within the State.

I believe this is a direction to the State to see that the municipalities share this financial burden. I see no reason why we cannot trust the States and the municipalities to work this matter out among themselves. Talk about the burden of the debt—I am under the impression that of all the subdivisions of government, the cities in this country are most heavily under debt.

Mr. RUSSELL. If you look at the per capita indebtedness figures, you will find that the Federal Government has a much larger obligation than the cities of this country. I do not think there is any doubt about that. It is a large obligation of the total Federal debt, per capita, of the people of the United States. When you assess against a city, you say that those who will be the beneficiaries should at least accept this very insignificant part.

This 5 percent does not mean 5 percent of what they are going to pay out. It means 5 percent of the premiums paid in on the preceding year. It does mean it will be 5 percent of what will be paid out. It will not amount to anything like that if there is a serious disorder. It says that the city has the obligation to preserve law and order.

Mr. SPARKMAN. What happens in a metropolitan area such as the area of Miami and the great metro that is there?

Mr. RUSSELL. Miami is divided into municipalities and each of them would

be a separate organization. Some of them would contribute practically nothing because there would be none of this type of insurance that would have been issued.

Mr. SPARKMAN. And the loss would not have been sustained in that particular area.

Mr. RUSSELL. That is right. It only serves those where the payments are made on the insurance, or where this insurance is written.

Most of the cities of the United States would not be responsible for it under my proposition; it is only those likely to have civil disorders that would result in great loss or destruction.

Mr. SPARKMAN. I wish to ask the Senator one other question. Take the situation across the river in Arlington, which is not a city, but a county. Would "municipality" cover that?

Mr. RUSSELL. I am not sure as to that.

Mr. SPARKMAN. There are other areas. There is Silver Spring, Md., which is not incorporated.

Mr. RUSSELL. I am not so sure about that.

Mr. SPARKMAN. Fairfax County has no municipality.

Mr. RUSSELL. I am not sure about Silver Spring, Md., not being incorporated.

Mr. SPARKMAN. Yes. I believe it is the second largest city in Maryland and it is not incorporated.

Mr. RUSSELL. Certainly, that does no more violence to justice than the Senator's original language.

There are a number of States whose constitutions prohibit them from making contributions of any kind to a private fund such as this. They cannot get in on this scheme of things at all, but they will have to pay their part of the 5 percent the Senator assesses of any excess losses incurred by the corporation?

Mr. SPARKMAN. And that would have to be done under the Senator's proposal.

Mr. RUSSELL. That is right, so there is no less justice in my proposal and much more justice than in the Senator's original committee language.

The PRESIDING OFFICER. Who yields time?

Mr. RUSSELL. On my amendment, I ask for the yeas and nays, Mr. President.

The yeas and nays were ordered.

Mr. RUSSELL. I yield back the remainder of my time.

Mr. SPARKMAN. I yield back the remainder of my time.

The PRESIDING OFFICER (Mr. WILLIAMS of New Jersey in the chair). All time having been yielded back, the question is on agreeing to the amendment of the Senator from Georgia. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. BIBLE], the Senator from Hawaii [Mr. INOUYE], the Senator from Missouri [Mr. LONG], and the Senator from Ohio [Mr. YOUNG] are absent on official business.

I also announce that the Senator from Idaho [Mr. CHURCH], the Senator from

Pennsylvania [Mr. CLARK], the Senator from Connecticut [Mr. DOBBS], the Senator from Mississippi [Mr. EASTLAND], the Senator from North Carolina [Mr. ERVIN], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Oklahoma [Mr. HARRIS], the Senator from Indiana [Mr. HARTKE], the Senator from South Carolina [Mr. HOLLINGS], the Senator from Massachusetts [Mr. KENNEDY], the Senator from New York [Mr. KENNEDY], the Senator from Ohio [Mr. LAUSCHE], the Senator from Louisiana [Mr. LONG], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Arkansas [Mr. McCLELLAN], the Senator from Wyoming [Mr. McGEE], the Senator from South Dakota [Mr. MCGOVERN], the Senator from Minnesota [Mr. MONDALE], the Senator from New Mexico [Mr. MONTGOMERY], the Senator from Oregon [Mr. MORSE], the Senator from Wisconsin [Mr. NELSON], the Senator from Connecticut [Mr. RIBICOFF], the Senator from Florida [Mr. SMATHERS], and the Senator from Maryland [Mr. TYDINGS] are necessarily absent.

I further announce that, if present and voting, the Senator from Massachusetts [Mr. KENNEDY], the Senator from New York [Mr. KENNEDY], and the Senator from Maryland [Mr. TYDINGS] would each vote "nay."

On this vote, the Senator from Mississippi [Mr. EASTLAND] is paired with the Senator from Pennsylvania [Mr. CLARK]. If present and voting, the Senator from Mississippi would vote "yea," and the Senator from Pennsylvania would vote "nay."

On this vote, the Senator from Florida [Mr. SMATHERS] is paired with the Senator from Oregon [Mr. MORSE]. If present and voting, the Senator from Florida would vote "yea," and the Senator from Oregon would vote "nay."

On this vote, the Senator from North Carolina [Mr. ERVIN] is paired with the Senator from Connecticut [Mr. RIBICOFF]. If present and voting, the Senator from North Carolina would vote "yea," and the Senator from Connecticut would vote "nay."

Mr. HICKENLOOPER. I announce that the Senator from Utah [Mr. BENNETT], the Senator from Kansas [Mr. CARLSON], the Senators from Kentucky [Mr. COOPER and Mr. MORTON], the Senator from Nebraska [Mr. CURTIS], the Senator from Illinois [Mr. DIRKSEN], the Senator from Arizona [Mr. FANNIN], the Senator from Hawaii [Mr. FONG], the Senator from Oregon [Mr. HATFIELD], the Senator from New York [Mr. JAVITS], and the Senators from California [Mr. KUCHEL and Mr. MURPHY] are necessarily absent.

On this vote, the Senator from Utah [Mr. BENNETT] is paired with the Senator from California [Mr. KUCHEL]. If present voting, the Senator from Utah would vote "yea," and the Senator from California would vote "nay."

On this vote, the Senator from Nebraska [Mr. CURTIS] is paired with the Senator from Oregon [Mr. HATFIELD]. If present and voting, the Senator from Nebraska would vote "yea," and the Senator from Oregon would vote "nay."

On this vote the Senator from Arizona [Mr. FANNIN] is paired with the Senator



from California [Mr. MURPHY]. If present and voting, the Senator from Arizona would vote "yea," and the Senator from California would vote "nay."

If present and voting, the Senator from New York [Mr. JAVITS] would vote "nay."

The result was announced—yeas 25, nays 35, as follows:

[No. 163 Leg.]

YEAS—25

Bartlett	Hill	Spong
Byrd, Va.	Holland	Stennis
Byrd, W. Va.	Hruska	Talmadge
Cannon	Jordan, N.C.	Thurmond
Cotton	Jordan, Idaho	Tower
Gore	Miller	Williams, Del.
Hansen	Monroney	Young, N. Dak.
Hayden	Mundt	
Hickenlooper	Russell	

NAYS—35

Alken	Griffin	Pell
Allott	Gruening	Percy
Anderson	Hart	Prouty
Baker	Jackson	Proxmire
Bayh	Magnuson	Randolph
Boggs	Mansfield	Scott
Brewster	McIntyre	Smith
Brooke	Metcalf	Sparkman
Burdick	Moss	Symington
Case	Muskie	Williams, N.J.
Dominick	Pastore	Yarborough
Ellender	Pearson	

NOT VOTING—40

Bennett	Harris	McGee
Bible	Hartke	McGovern
Carlson	Hatfield	Mondale
Church	Hollings	Montoya
Clark	Inouye	Morse
Cooper	Javits	Morton
Curtis	Kennedy, Mass.	Murphy
Dirksen	Kennedy, N.Y.	Nelson
Dodd	Kuchel	Ribicoff
Eastland	Lausche	Smathers
Ervin	Long, Mo.	Tydings
Fannin	Long, La.	Young, Ohio
Fong	McCarthy	
Fulbright	McClellan	

So Mr. RUSSELL's amendment was rejected.

Mr. SPARKMAN. Mr. President, I move that the vote by which the amendment was rejected be reconsidered.

Mr. PASTORE. Mr. President, I move that the motion to reconsider be laid on the table.

The motion to lay on the table was agreed to.

Mr. RUSSELL. Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The BILL CLERK. On page 213, it is proposed, strike out lines 9 through 14 and renumber the sections accordingly.

UNANIMOUS-CONSENT AGREEMENT

Mr. MANSFIELD. Mr. President, I ask unanimous consent that there be a time limitation of 1 hour on this amendment with the time to be equally divided, 30 minutes to the Senator from Georgia [Mr. RUSSELL] and 30 minutes to the Senator from Wisconsin [Mr. PROXMIRE].

The PRESIDING OFFICER. Is there objection to the request of the Senator from Montana? The Chair hears none, and it is so ordered.

Mr. RUSSELL. Mr. President, I think I sense the attitude of the Senate, but in good conscience I cannot refrain from offering the amendment which I am proposing.

The bill proposes to open up the Federal Disaster Assistance Act—which has stood us in good stead for a long time—for payments of grants for damage

wrought by civil disobedience, by riots, and civil disorders generally.

This natural disaster act has been used in time of flood, in time of hurricane, and has always been applied to disasters caused by natural forces—what might be called acts of God.

Now we propose to open up the Disaster Act to make grants to cities to take care of destruction wrought by civil disorders and civil disobedience. We have opened up a number of other funds for that purpose; namely, the Small Business Administration, and two sections of the Housing Act which have been amended in the same bill, to make payments for damages due to civil disorders and riots.

It seems to me, in good conscience, that we should not open up the Disaster Act, which provides for payments for visitations of natural origin, such as earthquakes in Alaska, hurricanes in New England, and floods in Florida, and say, "Go and have a big time, boys. Burn it down. Here is the Federal Disaster Assistance Act. We have opened it up. We can now make grants to you to make it good."

Mr. President, I want a record vote on this amendment and therefore ask for the yeas and nays.

The yeas and nays were ordered.

Mr. RUSSELL. Mr. President, I reserve the remainder of my time.

Mr. PROXMIRE. Mr. President, this is a section of the bill which the committee added because it feels very strongly that the Federal Government should regard the riots we have had this year and last year as disasters and because our cities are being placed in an impossible situation unless some kind of significant Federal assistance can be made available to them.

The bill has two sections to help the cities; namely, to help city facilities and also to help homeowners, small businessmen, and others, whose property has been destroyed.

So far as the cities are concerned, the bill provides that, if the President should determine—and the bill permits him to determine—that a disaster has taken place according to his definition, then Federal funds would be used to provide replacement of public facilities, for debris clearance, and for temporary shelters and housing.

Mr. President, the Office of Emergency Planning indicates their experience is that they always require the city or area to contribute a reasonable amount. They do it on a sliding scale, in accordance with what the particular disaster area can afford. Under current regulations, the State must certify that it and local communities within the State have spent a certain amount of their own funds for the current disaster and for all disasters in the preceding 12 months. For States such as New York and California, this figure is set at \$5 million. For the smallest States, it is set at \$350,000. Federal assistance cannot be provided without such a certification.

I think we have to recognize that a part of the assistance provided by the committee provision that is for private persons would be loans repayable with

interest. It would be 3-percent interest, it is true, but the small homeowner or the small businessman would be desperately in need. A riot means misery and loss of life. The Federal Government provides loans, not gifts, repayable in full, as I have said.

It might be argued that with the insurance coverage, loans will not be needed. However, loans would still be necessary, because, in the case of a small business which is put out of business for 3 or 4 months—which is the case when riots take place—it takes that long to rebuild. Drive down Seventh Street or 14th Street in Washington and one can estimate how long these people are going to be out of business. When they have a loss of the business and of their working capital, it is going to take a loan in order to put them back on their feet. It will not be enough simply to have an insurance company replace their inventory or equipment or plant. They will have lost money for the time their business has been closed down. This provision would enable them, if the SBA Administrator declared a disaster, to borrow money and repay it.

The Kerner Commission, which was composed of both Republicans and Democrats, and of people from all sections of the country, unanimously recommended this provision. The committee has informally checked with the various Federal agencies in this provision. No objections to this provision by any Federal agency have been received by the committee.

It seems to me that if we are going to do something, in a modest way, to try to have the Federal Government help in riot circumstances, this provision ought to stay in the bill.

Mr. RUSSELL. Mr. President, not only have Senators just voted to levy heavy taxes on people who may not live anywhere near these areas and pay for this insurance, but this bill specifically opens up the Small Business Act, by inserting the words "riot or civil disorder" into it, so that the Small Business Administration will be applicable in the case of riots. Not only that, but you open up section 101 of the Housing and Urban Development Act by striking out the word "natural," and thereby make it applicable for all these riots and disorders.

Section 111 of the Housing Act of 1949 is amended by inserting "riot or civil disorder," before "or other catastrophe."

So you are creating a tremendous field here to take care of these riots and civil disorders already. You impose taxes on people who are not likely to have any riots or civil disorders to pay for all these disorders through these other agencies.

It seems to me we ought to keep our hands off the natural disaster assistance program and not get involved in these kinds of riots and civil disorders.

Mr. TOWER. Mr. President, will the Senator yield for a question?

Mr. RUSSELL. I yield.

Mr. TOWER. As I understand the Senator's amendment, it addresses itself only to the natural disaster program and does not affect these others?

Mr. RUSSELL. These others are writ-



ten into the law. This amendment does not affect those at all.

Mr. TOWER. So there is plenty available to them.

Mr. RUSSELL. There is plenty available to them through other channels. This provision can only be an inducement for more riots and disorders. If that is what you want, go ahead and open this up. Make grants and low-interest loans available.

I looked through the hearings, and I did not find any testimony taken by the committee at all on this provision. It may be in there, but I was unable to find it in there. I also called the Office of Emergency Planning, and they said their views had not been solicited by the committee. They further said that this act had been used heretofore only to undertake to extend aid in the case of natural disaster.

You have opened up four new fields already to permit the Federal Government to extend financial aid in the case of riots and disorders. We passed the Natural Disaster Act to take care of hurricanes, floods, and so forth. I do not think we should apply it to riots and disorders. The natural disaster program never had a large fund in it, and you exhaust it, pay it out, and have a great natural disaster, and Congress will have to be called back into session or other drastic action will have to be taken to extend any assistance in that event.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. HOLLAND. I call to the attention of the distinguished Senator from Georgia a fact which he well knows, and I want to recall it now. It is that the Committee on Agriculture and Forestry and the body of the Senate several times have refused to extend to the farming community of this country, under the disaster loans made by the Farmers Home Administration, small interest loans which are the help they would get by including market difficulties with natural disasters. We have declined to step up that natural disaster area in that field, which is certainly as distressed a field to communities of farm people as this is to the people of the cities.

I hope we will follow the same philosophy, because the mercy of this country as established through this type of legislation is not to cover manmade difficulties, but to cover difficulties brought on by nature itself.

I hope the Senator's amendment will prevail.

Mr. RUSSELL. I have little hope that it will. The most important thing seems to be to extend help to people whose businesses or homes are destroyed by riots and disorders that in many cases could have been prevented and should have been prevented. I hope to keep this program reserved to what it was enacted for, when this Nation was a more reverent nation than it is today—disasters caused by acts of providence. Now, of course, the effort is to go ahead and turn it over to those caused by riots and civil disorders.

Mr. BAYH. Mr. President, will the Senator yield to me some time?

Mr. PROXMIRE. How much time does the Senator wish?

Mr. BAYH. Do we have 5 minutes?

Mr. PROXMIRE. I yield 5 minutes to the Senator.

Mr. BAYH. Mr. President, I am reluctant to impose myself into the debate concerning housing legislation, inasmuch as I do not consider myself an expert in this matter; but following the tornado which hit the Midwest in 1965, I, together with others of us who come from Midwestern States, drafted the latest revision of the Natural Disaster Act which is on the books, which was finally passed in 1966, and which, in my judgment, is very inadequate, because the House took out what we passed in the Senate without a dissenting vote.

To try to patch up the act, we introduced S. 438, which is on the Calendar now. That is the only reason why I got involved in this discussion on housing. I personally have given a tremendous amount of thought to what to do to help our citizens in the event they are confronted with such a disaster.

I have taken a very dim view of the relative merits of rushing to the assistance of citizens of foreign countries when they are confronted with disasters, and not doing more than we do now to help our own citizens. I hope the provisions of S. 438 will become part of the law.

I have thought about the problem presented by the distinguished Senator from Georgia. This is a new type of disaster, but the thing that appeals to me about it as a proper subject for disaster relief—we held hearings on the subject in the Committee on Public Works, at which some of these questions were raised, and the Senator from Michigan [Mr. HART] was there, right after the Detroit conflagration—is that the great majority of the people affected by these riots are not implicated in them in any way except presence; they are innocent bystanders, swept along by this fire started by a few.

I would be very much in favor of the Senator from Georgia or any other Senator offering an amendment that nobody who was implicated in a riot could take advantage of the disaster provisions. I think such an amendment would be well taken. I state to the Senator from Wisconsin that, if he or the Senator from Georgia do not wish to do so in the event this one fails, I should like to offer such an amendment.

The thing that appeals to me about the justice in so limiting the disaster provisions is that now someone can start a fire in his own neighborhood, and if it gets out of hand and becomes a national disaster, he can take advantage of that fact. On the other hand, if the amendment of the Senator from Georgia were adopted, we would be saying to innocent citizens, stricken just as devastatingly as if they had been victims of a tornado, "We cannot help you."

The only limitation would be that the disaster would have to be large enough that the President of the United States would trigger those provisions. If it is not, then this coverage is not afforded.

I feel we should leave the provision on the disaster provisions in the bill, because of the innocent people affected; but if one with such limited seniority and experience as I might have the temerity

to suggest a change in the wording of the amendment of the Senator from Georgia—for whom I have the greatest respect—I suggest that the emphasis should be designed to get at those who start the riots, and prevent them from benefiting from the consequences of their own acts.

Mr. TOWER. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield 3 minutes to the Senator from Texas.

Mr. TOWER. The only trouble with the proposal of the Senator from Indiana—and I certainly agree that people who incite riots should not benefit from any Federal programs aimed at relief of the victims of rioting, arson, and looting—is that some of our cities are also implicated here.

I think that where the police department of a great city like Washington, D.C., is reduced to the function of directing traffic for the looters, standing idly by while they go about their work, because of the law enforcement policy of that city, then that city has implicated itself also. I think we have to say to the cities, "We cannot help you out of this fund unless you insist on adequate law enforcement, and not inordinate restraint, on the part of your police department."

Mr. PROXMIRE. Mr. President, I yield myself 3 minutes.

I am sure that everyone in this room realizes that no city wants a riot. It is inconceivable that any mayor, any policeman, or any public official in any city, regardless of how exalted or humble his position, would want a riot. None of us wants riots; we all know that. I think it is insulting even to suggest that any official would want such a thing. We all want to prevent them.

There are different views on how riots should be prevented. We could debate that at great length. We do know, however, that when riots take place, they are catastrophic to the city and innocent people are involved. The loss can be enormous and overwhelming.

Mr. President, I wish to stress, in reply to the Senator from Indiana, that section 1107(a) of the bill provides grant aid only to communities, not to any individual. The only individual who could benefit, from being able to borrow money and repay it, is one whose home has been burned down. There are other sections of the law which, as the Senator from Georgia properly pointed out, which are triggered by a Presidential declaration of a disaster under the Federal Disaster Act. One is section III by the Housing Act of 1949 which gives priority to victims of declared disasters to relocate in urban renewal areas.

Mr. BAYH. Mr. President, will the Senator yield?

Mr. PROXMIRE. In just a moment.

The other is section 203(h) of the National Housing Act which provides 100 percent FHA mortgage insurance to victims of areas declared by the President as disaster areas. In addition Section 101(c)(2)(E) of the Housing and Urban Development Act of 1965 is triggered by an SBA declared disaster. This affords victims eligibility under rent supple-



ments, provided income and other requirements are otherwise met.

These three sections are triggered by declared disasters. It does not open up Government programs in any big, broad, comprehensive way; it simply provides those limited benefits to the victims.

Incidentally, I believe the committee would be happy to accept any kind of amendment which provided that anybody who took a deliberate part in a riot would not be able to obtain any benefit from it. I see no objection to that.

I yield to the Senator from Indiana.

Mr. BAYH. The Senator from Wisconsin answered the question I had in mind, which is that the SBA and the FHA do provide loan provisions for individual citizens. Therefore, I think if we are going to permit riot disasters to be covered, anyone apprehended in violation of the law during the riot should be denied the opportunity to take advantage of it.

Mr. PROXMIRE. We will be happy to work with the Senator from Indiana; I am sure the committee will agree to an amendment to that effect, and take that language to conference.

Mr. DOMINICK. Mr. President, will the Senator from Wisconsin yield?

Mr. PROXMIRE. I am happy to yield.

Mr. DOMINICK. I merely wish to find out some facts and figures to help me make my decision.

How much do we have authorized and appropriated in the disaster fund, does any citizen know?

Mr. PROXMIRE. I understand it has been in excess of several hundreds of millions of dollars since 1950, over the life of the program.

Mr. DOMINICK. Over the life of the program, and, therefore, the funds available?

Mr. RUSSELL. There has never been that much available. That is cumulative.

Mr. DOMINICK. As an average, around \$35 million per year?

Mr. RUSSELL. The Senator is correct.

Mr. PROXMIRE. I understand they have averaged \$35 million or \$40 million a year.

Mr. DOMINICK. All right. How much damage is done in a riot such as that here in Washington, or Watts?

Mr. PROXMIRE. Just this morning, in hearings before the District of Columbia Appropriations subcommittee of the Senator from West Virginia [Mr. BYRD], we had testimony on that subject. They have not been able to come up with any definitive figures. They have not arrived at any final figures.

Mr. BYRD of West Virginia. Not as yet. That figure is preliminary.

Mr. DOMINICK. Is my understanding correct that the provisions of this bill would be available only for public facilities?

Mr. PROXMIRE. The provision for grants would be only for public facilities. It would be possible for those whose homes and businesses were destroyed to borrow money and repay it at 3 percent interest, over a 40-year period.

Mr. STENNIS. Mr. President, will the Senator yield for a question?

The PRESIDING OFFICER. Does the Senator yield?

Mr. PROXMIRE. I yield.

Mr. STENNIS. Reference has been made here to hearings on this part of the bill. I walked in just in time to hear that. As I understood, no hearings had been held. Will the Senator point out to us, in the record of the hearings, on what page we may find the testimony, and the names of the witnesses, on this part of the bill?

Mr. PROXMIRE. The committee did not hold hearings on this particular section of the bill. There were no hearings by the Banking and Currency Committee.

Mr. STENNIS. Does that mean there is no testimony before the Senate?

Mr. PROXMIRE. There is no testimony on this particular provision.

Mr. STENNIS. What did the members of the committee act on, their personal ideas, newspaper reports, or what?

Mr. PROXMIRE. We acted on the basis of unanimous recommendations by the Kerner Commission, and on the basis of the experience and understanding of members of the committee over the years, in the Senate, on similar legislation covering natural disasters.

Mr. STENNIS. The Kerner Commission had already reported. Had it not, before the fires here in Washington?

Mr. PROXMIRE. The Senator is correct.

Mr. STENNIS. I have noted that there have been reports of two or three fires each night since the large-scale burning, that the police have said they attributed to Molotov cocktails, or to the reasons for the original burning. Would they be included in the measure?

Mr. PROXMIRE. Definitely not. They would only be covered if the President should determine those fires an emergency sufficient to warrant his decision that Federal aid should be granted.

I am sure the Senator is familiar with the situations in various parts of the country in which Presidents have always been reluctant to declare emergencies and have only done so where they were of great consequence and extended far beyond the resources of the community.

Mr. STENNIS. With those fires continuing for the same reason, why should they be cut off? Why would they not come under the same provision as originally?

Mr. PROXMIRE. This would be a matter of judgment and determination.

The Federal Government, in my judgment, could limit the period for which the benefits would be paid. Otherwise, it would be open-ended.

Mr. STENNIS. The bill does not make such limitation?

Mr. PROXMIRE. No. This is the normal practice of the Office of Emergency Planning.

Mr. STENNIS. It depends on the emergency, and the Office of Emergency Planning determines that.

Mr. PROXMIRE. The Senator is correct. That is my understanding.

Mr. STENNIS. That is all I had in mind.

Mr. TOWER. Mr. President, will the Senator yield?

Mr. RUSSELL. Mr. President, I yield 2 minutes to the Senator from Texas.

The PRESIDING OFFICER. The Senator from Texas is recognized for 2 minutes.

Mr. TOWER. Mr. President, one observation that should be made is that there is a limited amount of money in the disaster fund, and any time a disaster occurs, the money comes out of that fund. That means that there is less remaining for any future disaster that might occur.

What if we went through a long hot summer and experienced civil disorders in various cities which ate up all of the funds in the disaster fund? If we then had another bad hurricane along the gulf coast or another earthquake in Alaska or a series of tornadoes or cyclones in the Midwest, there would not be any funds to assist those localities.

As the Senator from Georgia pointed out, there are multifarious other programs available for relief in the case of riot.

I can remember when we had Hurricane Beulah in Texas and an earthquake in Alaska. It was touch and go as to whether there would be adequate funds to compensate for the disasters that had occurred.

Mr. PROXMIRE. Mr. President, if the Senator will yield, I yield myself 2 minutes.

Mr. TOWER. I yield.

The PRESIDING OFFICER. The Senator from Wisconsin is recognized for 2 minutes.

Mr. PROXMIRE. I believe the answer is that in the event of any such situation, it would be necessary to come to Congress for appropriations.

Congress made appropriations for the Louisiana disaster and for the Alaskan earthquake.

The request would go to the Appropriations Committee, and the Appropriations Committee can say yes or no. The Senate and the House would then exercise their judgment. However, this would just not open up the Treasury.

Mr. TOWER. I would prefer to have the money available immediately and without appropriations.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. TOWER. I yield.

Mr. AIKEN. In the event the amendment offered by the Senator from Georgia is agreed to, would the small businessman in the city still be protected under the bill?

Mr. PROXMIRE. The small businessmen in the cities would not be in a position to borrow money to provide for their working capital. They would be covered by reinsurance.

Mr. RUSSELL. Under subsection (b) it specifically opens up the Small Business Act to loans for riots and civil disorders.

The Senator will find that on page 213 of the bill.

Mr. AIKEN. Mr. President, my other question concerns damage done to the city itself. Would damages include damage to property? Would it include loss of business due to a business leaving town and going elsewhere, or would it include



the kind of damage done to city government, such as to the city hall that might be rated as a disaster?

Mr. PROXMIRE. Mr. President, the city's own facilities could be badly destroyed. The city might own utilities which might be destroyed or damaged, and city equipment such as fire equipment might be badly damaged.

I think it is clear under the basis of past experience and Presidents' decisions in the past that they will not declare an emergency unless the damage is so great that it is not possible for local resources to take care of it.

Mr. AIKEN. Could damage cover lost taxes or loss of business to the town?

Mr. PROXMIRE. It could not.

Mr. AIKEN. I thank the Senator.

The PRESIDING OFFICER. Who yields time?

Mr. RUSSELL. Mr. President, I yield myself 3 minutes.

The PRESIDING OFFICER. The Senator from Georgia is recognized for 3 minutes.

Mr. RUSSELL. Mr. President, I point out again for the benefit of any Senator who may doubt it that all the has to do is to open the bill to page 213 to see that there is made available by the bill reported by the committee loans from the Small Business Administration which, in the case of disaster, is 3 percent, the same as it is under the disaster provision.

It provides for rent supplements to those who are affected adversely by riots and civil disorders and who need housing. And it provides for urban renewal areas which would be rebuilt, including the rebuilding of a city hall, to which the Senator from Vermont referred, in the case of riots and disorders which destroy the public buildings.

Mr. PROXMIRE. Mr. President, the staff of the Committee on Banking and Currency advise me to the contrary. The Senator is correct about the first part. There would still be loans available from the Small Business Administration. However, the rent supplements would be triggered by (b), and if we knock that provision out, the rent supplements could no longer be made available to those who had lost their homes. Section (d), which refers to urban renewal, is triggered by (a), and that would be knocked out by the Senator's amendment.

Mr. RUSSELL. Mr. President, I do not concede that at all. I have the utmost respect for the staff of the committee, but it would leave all except that explicitly deleted in the bill this provision in section 101(c), subparagraph 2, (e):

The Housing and Urban Development Act of 1965 is amended by striking out the word "natural".

Mr. PROXMIRE. I understand that.

Mr. RUSSELL. The Senator says that would have no effect whatever if we try to preserve disaster legislation for a real natural disaster.

Mr. PROXMIRE. The answer is that HUD has no authority to declare a disaster. Only the President or the SBA Administrator has that authority. And if the President's authority to declare a disaster in the event of a riot is taken away, then all opportunity for the vic-

tims to apply for assistance is also taken away.

Mr. RUSSELL. Mr. President, I hesitate to speak in this manner in the presence of the staff of the committee who have no other business than to keep themselves informed. However, the Small Business Act has a provision providing for disaster loans and making such loans at 3 percent rather than 5 percent.

Mr. PROXMIRE. The Senator is correct in his statement about the Small Business Act. However, with respect to urban renewal, this part does not stand independently. Therefore, it would be knocked out by the amendment of the Senator, which would make it impossible for the President to declare a disaster situation if a riot were to take place.

Mr. RUSSELL. Mr. President, I am sure that the staff of the committee is able to draw a one-line amendment that would say—and if they cannot do so, it is a pathetic situation—that these two provisions can be triggered by a riot or civil disorder. That amendment could be offered. And it would be a very simple matter to do so. By preserving the disaster fund for natural disasters, we do not preclude any amendments to the remainder of the bill.

The Senator from Wisconsin well knows that he can draw a one-line amendment that would permit urban renewal and rent supplements to be triggered by any disaster, whether declared by the Small Business Administration or by the President or by HUD, for that matter, to make these funds available.

I must say that I do not think that is a very fair argument when the Senator knows that a simple amendment would clarify the matter and make these other two provisions viable in the case of riots or disorders.

Mr. PROXMIRE. I understand the Senator's position well. I was saying that the amendment is not drafted in that manner. It seems that it would knock out sections (c) and (d).

Mr. RUSSELL. My purpose is to try to save the disaster fund for natural disasters.

We are doing everything in the pending bill for riots and civil disorder victims. We are taking care of them on the insurance.

We are letting the Federal Government go into the insurance business and reinsure all these areas where they are likely to have destruction. We are revising the Small Business Act, which heretofore had not been generally available in cases of riots and disorders. We are triggering it. A very simple amendment, which I will be glad to help the staff with if they cannot draw it up themselves—I know the Senator from Wisconsin could draw it in 1 minute—would trigger and make available the rent supplement provision of the Housing Act and the urban renewal provisions of the Housing Act. But I do think we ought to have some sense of proportion here and leave this disaster fund where it is. I do not remember just how much is available, but my best recollection is that it is somewhere between \$35 and \$40 million.

The PRESIDING OFFICER. Does the Senator yield himself additional time?

Mr. RUSSELL. Have I consumed all my time?

The PRESIDING OFFICER. The Senator has 14 minutes remaining.

Mr. RUSSELL. I yield myself 4 additional minutes.

Mr. BAYH. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield to the Senator from Indiana.

Mr. BAYH. I have not been able to follow the entire discussion.

Inasmuch as the Senator is willing to permit the two provisions to which he has referred, is he also willing to permit the Small Business Administration—

Mr. RUSSELL. I am not touching that. Under the act, the Small Business Administration can make 3-percent disaster loans to these riot and civil disorder areas.

Mr. BAYH. The unfortunate thing about the disaster legislation is that now it is scattered all over the statute books. If we are really going to deal with disasters, we have to touch four or five different acts. I believe that is why the Senator from Wisconsin has touched all of these in trying to provide equal treatment in the event that there is a non-natural disaster.

Mr. RUSSELL. The Senator from Indiana knows that a one-line amendment can be drawn to subsections (c) and (d) which will have the same purport and effect as the amendment to the Small Business Act, which entitles a man to a 3-percent small business loan in a catastrophe.

I think everything is being gobbled up that has been set aside for an operation of the Government in many areas, in undertaking to alleviate the anguish of people who are stricken by natural disorders, in our great haste and in our determination to see that everything is available to the cities which have riots and civil disorders.

I am not trying to avoid loans of 3 percent by the Small Business Administration. Frankly, I do not favor them, but I know the Senate does. And I am not trying to avoid the rent supplement. I think there is sound ground for that, if you are going to have rent supplement at all, to take care of the innocent people who are burned out by these disorders. And I am not trying to prevent application with respect to urban renewal areas. I do think we ought to leave in the natural disasters and not open it up to manmade disasters.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. AIKEN. In the event the President makes a finding of a disaster with respect to a city, does he find the nature of the damage or simply the cause of it?

Mr. RUSSELL. He finds on the basis of a natural disaster; and if he finds it is a natural disaster of sufficient magnitude, such as an earthquake, a flood, or a hurricane, he opens up the disaster fund.

Mr. AIKEN. But does he have to specify the cause of the disaster?

Mr. RUSSELL. If it is a natural disaster, he does not have to specify it. I do not know. Most of the orders I have seen handed down say, "Whereas such-



and—such an area was visited by a hurricane,” and so forth. But I do not think there is anything in the law that requires it. I do not know.

Mr. HANSEN. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. HANSEN. I should like to ask a question. I have listened with great interest to this discussion, and it occurs to me that if the bill were to be drawn as the committee recommends, would it not be the considered opinion of the distinguished Senator from Georgia that there might actually be instances in which people would be encouraged to contribute to the disaster? I am thinking of a riot situation in which fires are erupting throughout a city. If someone should contemplate the designation of a disaster area by the President, might not this actually serve in a few instances, with people less than scrupulous, to contribute to the disaster?

Mr. RUSSELL. I think that is true as to all sections of this title XI, but I am now only undertaking to preserve this fund for natural disasters.

It has been there for years; it has served a useful purpose. It is not a large fund. It does have some \$200 million or more of cumulative assets, but most of it is in the form of loans. The actual cash available is some \$35 million, as I recall. Certainly, that ought not be required to go with all of these other elements to repair the damages caused by riots and disorders.

Of course, the more money that is made available to them, the more attractive will be the riots and disorders as a kind of system of cheap urban renewal.

Mr. PROXMIRE. Mr. President, I yield 3 minutes to the Senator from Pennsylvania [Mr. SCOTT], and as I do that, I might say that this provision was authored by him. It was his idea, and the committee put it into the amendment.

Mr. SCOTT. I thank the Senator for his kind comments.

Mr. President, I rise in opposition to the pending amendment proposed by the distinguished and respected senior Senator from Georgia [Mr. RUSSELL]. That amendment would strike from the bill section 1107(a) which would amend the Disaster Relief Act of 1950 to include specifically riots and civil disorders within the definition of “major disaster.” Under that act, communities designated by the President as victims of major disasters can receive Federal emergency assistance, such as the provision of temporary or emergency housing for families rendered homeless by such natural disasters as hurricanes and tornadoes, and the use of Federal equipment, supplies, facilities, and personnel.

The provision proposed to be stricken by the pending amendment is virtually identical to section 1 of S. 2209, a bill to clarify the application of certain provisions of law in the case of major disasters resulting from civil disorder, which I introduced in the Senate on August 2 of last year. Indeed, Mr. President, S. 2209 in its entirety is virtually identical to section 1107 of the pending bill.

It was incorporated into the bill in committee on the motion of the able and distinguished senior Senator from Wisconsin [Mr. PROXMIRE] to whom I now express my deepest thanks.

When introducing S. 2209, I stated that it would “clarify the meaning of disaster so as to leave no doubt or cause for hesitancy concerning the legality of providing assistance to the victims of riots such as those which have shaken our Nation in the past days.” I pointed out that its purpose was “not to reward the violent, but to improve the condition of the innocent victims of violence.” Mr. President, let me reiterate and reemphasize what I asserted last August 2:

Violence cannot and must not be tolerated. But laws to repress violence will not cure intolerable inequalities.

I also wish to point out that a similar bill, H.R. 11891, was proposed in the House of Representatives on July 27, 1967, by the very able gentleman from Maryland, Mr. MATHIAS, and a number of his Republican colleagues.

Mr. President, it is my very deep desire that section 1107(a) be kept in the bill. Disaster is disaster, and if it is not caused by the action of the person to be benefited, it is of small difference to him whether it has been caused by a tornado or by a riot, for example. The damage is there, he did not cause it, and the need for relief is great.

I ask unanimous consent, Mr. President, to have printed at this point in the RECORD my remarks about S. 2209 delivered on the floor of the Senate, on August 2, 1967. I also ask unanimous consent that S. 2209 and H.R. 11891 be printed thereafter.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

#### RIOT RELIEF BILL

Mr. SCOTT. Mr. President, I introduce for appropriate reference a bill which clarifies the application of certain provisions of existing law in the case of major disasters resulting from civil disorder. A similar bill has been introduced by 15 Republican Members of the House of Representatives.

My bill redefines “major disaster” in the Disaster Relief Act of 1950 to include riots, and makes assistance applicable to the victims of riots through the Small Business Act, the rent supplements section of the Housing and Urban Development Act of 1965, the urban renewal section of the Housing Act of 1949, and the mortgage insurance section of the National Housing Act.

The determination of a disaster area will still be up to the President, but my bill will clarify the meaning of disaster so as to leave no doubt or cause for hesitancy concerning the legality of providing assistance to the victims of riots such as those which have shaken our Nation in the past days.

The purpose of my bill is not to reward the violent, but to improve the condition of the innocent victims of violence. Violence cannot and must not be tolerated. But laws to repress violence will not cure intolerable inequalities.

My bill is not offered as an all-purpose solution to our problems, but as a beginning in the massive pacification and development programs needed in our urban areas. The United States is spending millions of dollars a day for pacification in Vietnam and seems to be unable to cope with the powder keg on which we perch here at home. We cannot

simply pray that things simmer down and hope that they do not flare up again.

The Congress should reexamine its priorities and bring legislation promptly to the floor of both its Houses.

It is good that President Johnson has taken quick action on the recommendation of Senator BROOKE of Massachusetts to investigate the cause of the riots. The question recurs: What will be done while the probers probe?

Last week, nine other Republican Senators and myself urged that Congress provide the necessary funds for recently enacted urban programs, including model cities and rent supplements. I will continue to press hard for these funds.

Next week, the Housing Subcommittee of the Senate Banking and Currency Committee will complete hearings on the rat extermination bill. I urge a favorable report by the committee and intend to rally as much support as possible to pass effective rat control legislation. I see nothing amusing in the ravages of rodents and still less in the failure of local administrations to do much about it.

Another area where legislation is needed is a program for Federal reinsurance guarantees so that individuals and businesses in cities hit by riot can receive future insurance protection.

These measures, desirable as they are, will not bring an end to the conditions which cause riots. Yet they are a part of the massive commitment which must be made, and sustained, by every level of government, by business, by every American in every walk of life, to see that all parts of our cities are fit for human habitation and that all our fellow citizens share in the promise of a prosperous and civilized nation.

We have a mandate, in this country, to bring about the restoration of domestic tranquility.

The PRESIDING OFFICER. The bill will be received and appropriately referred.

The bill (S. 2209) to clarify the application of certain provisions of law in the case of major disasters resulting from civil disorder, introduced by Mr. SCOTT, was received, read twice by its title, and referred to the Committee on Banking and Currency.

#### S. 2209

A bill to clarify the application of certain provisions of law in the case of major disasters resulting from civil disorder

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### DEFINITION OF “MAJOR DISASTER”

SECTION 1. Section 2(a) of the Act entitled “An Act to authorize Federal assistance to States and local governments in major disasters, and for other purposes”, approved September 30, 1950, as amended (42 U.S.C. 1855a. (a)), is amended by inserting “civil disorder,” before “or other catastrophe”.

#### SMALL BUSINESS LOANS

SEC. 2. Section 7(b)(1) of the Small Business Act (15 U.S.C. 636(b)(1)) is amended by inserting “, civil disorder,” before “or other catastrophies”.

#### RENT SUPPLEMENTS

SEC. 3. Section 101(c)(2)(E) of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s.(c)(E)) is amended by striking out “natural”.

#### URBAN RENEWAL

SEC. 4. Section 111 of the Housing Act of 1949 (42 U.S.C. 1462) is amended by inserting “civil disorder,” before “or other catastrophe”.

#### MORTGAGE INSURANCE

SEC. 5. Section 203(h) of the National Housing Act (12 U.S.C. 1709(h)) is amended by inserting “civil disorder,” before “or other catastrophe”.



H.R. 11891

A bill to extend Federal disaster relief to victims of major riots and civil disorders, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That—*

(a) The first paragraph of section 2 of the Act of June 27, 1934 (48 Stat. 1246; 12 U.S.C. 1703(a)), as amended, is amended by striking out "or other catastrophe" and inserting in lieu thereof "riot, civil disorder, or other catastrophe".

(b) Section 203(h) of the Act of June 27, 1934 (48 Stat. 1248; 12 U.S.C. 1709(h)), as amended, is amended by inserting, immediately after "storm," "riot, civil disorder,".

(c) Section 7(b)(1) of the Act of July 18, 1958 (72 Stat. 387; 15 U.S.C. 636(b)(1)), as amended, is amended by striking out "floods or other catastrophies" and inserting in lieu thereof "earthquake, conflagration, tornado, hurricane, cyclone, flood, riot, civil disorder, or other catastrophe".

(d) Section 111 of the Act of July 15, 1949 (42 U.S.C. 1462), as amended, is amended by inserting, immediately after "storm," "riot, civil disorder,".

(e) Section 2 of the Act of September 20, 1950 (64 Stat. 1109; 41 U.S.C. 1855 (a)), as amended, is amended by inserting, immediately after "storm," "riot, civil disorder,".

Mr. PROXMIRE. Does the Senator desire more time?

Mr. SCOTT. No.

Mr. COTTON. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield.

Mr. COTTON. I should like to ask a question of the distinguished Senator now in charge of the bill. If the answer is not readily obtainable, I wish it could be provided for the RECORD before the end of the consideration of the bill.

It is my understanding that the total authorization in this bill is \$5.2 billion, roughly.

Mr. PROXMIRE. That is correct.

Mr. COTTON. I should like to find out what portion of that is renewed authorizations to continue present programs and what part of it is for new programs.

Mr. PROXMIRE. That information, of course, should be in the RECORD as the Senator from New Hampshire says, before we vote on final passage, and it certainly will be.

Mr. COTTON. The actual spending contemplated under this bill in the ensuing year, for new programs, is how much?

Mr. PROXMIRE. For new programs, the actual spending is approximately \$14 million. It is relatively very modest. But I am sure the Senator recognizes that this kind of modest beginning does not indicate how much is going to be spent under the authorizations we provide for years in the future.

Mr. COTTON. I understood that very clearly, and I certainly agree with the Senator on that. But does this small amount of spending, actual spending, on new programs for the coming year include the drain of the funds that have just been under discussion in connection with the amendment of the distinguished Senator from Georgia?

Mr. PROXMIRE. No. I see the Senator's point. There is no way this can be estimated. We hope and pray we will have a quiet summer and that there will not be any disaster emergencies that will de-

velop because of riots. However, we have no way to tell.

Mr. COTTON. This is just a fixed expenditure for the coming year?

Mr. PROXMIRE. The Senator is correct.

Mr. COTTON. If it is possible, before the debate is finished, I wish the Senator would have printed in the RECORD, even if it is only approximation, figures with respect to the continuation of the old program and the amount that is contemplated for the new program.

I thank the Senator.

Mr. PROXMIRE. In answer to the question of the Senator from New Hampshire, approximately \$650 million of the funds authorized by this bill would be for new programs. The remaining portion of the \$5.2 billion authorization would be for existing programs.

Mr. President, I yield to the Senator from West Virginia. Earlier he and I engaged in a brief colloquy in connection with the cost of riots in Washington. When I referred to losses, it was by city and not by business or by homeowner. However, the Senator from West Virginia can clarify this point better than I.

Mr. BYRD of West Virginia. I was engaged in conversation with the Senator from Rhode Island, and I did not understand the question.

I believe the question to which the Senator was addressing himself was the preliminary estimate of damages to buildings. Is that correct?

Mr. PROXMIRE. The Senator from Wisconsin is referring to the kinds of losses which might conceivably be covered by this provision of the bill.

The Senator from Georgia made clear the one part of the bill he wants to knock out is for aid to the cities.

Mr. RUSSELL. I hope I did not make that clear. That was not my intent.

Mr. PROXMIRE. The Senator said, as I understood, that he wants the people to have loans available.

Mr. RUSSELL. They get them under the Small Business Administration. I am not in favor of making loans or any other part of title XI. Of course, if we did we would have more requests in the District of Columbia than there is money available in the disaster fund.

Mr. PROXMIRE. I think we agree. I worded the statement badly. I am referring to the fact that in the event of disaster the SBA would be able to loan money to the homeowners at 3 percent. Does the Senator want to retain that? Under the present law, they would be given the opportunity to do so under the rent supplement.

Mr. RUSSELL. They would under this law.

Mr. PROXMIRE. But the Senator is mainly concerned, as I see it, with the loss to the city from the loss of public facilities and from debris clearance and other riot-connected losses.

Mr. RUSSELL. No, that is not necessarily the case. I want to preserve some of this 3-percent loan money for the victims of natural disasters and not have it all consumed by those who are victims of riots. If we had something like the earthquake that occurred in Alaska or Hurricane Hazel, there would not be \$5 left in

the natural-disaster fund, whereas in the case of riots there would be adequate funds available in other programs. I am trying to protect the natural disaster fund so it will be available for natural disasters. You still have all these other funds, including loans and urban renewal for victims of riots and civil disorders.

My purpose is to protect the natural-disaster funds. I do not think they should be mixed up with the other funds and piled on top of each other to the detriment of those who suffer from natural disasters.

Mr. PROXMIRE. Is it my understanding that all of the loan money would come from SBA; that it would not come from OEP? The OEP would provide grant money to the cities that have losses due to riots, because they have to rehouse people or clean up the debris or replace damaged public facilities.

Mr. RUSSELL. I understand the Natural Disaster Act provided for loans and grants. The Disaster Act itself provides for loans and they have been made in the case of natural disasters time and time again.

Mr. BYRD of West Virginia subsequently said: Mr. President, earlier today the senior Senator from Wisconsin [Mr. PROXMIRE] asked a question during colloquy with reference to the recent riots which occurred in the District of Columbia. At that time, I was engaged in conversation with the Senator from Rhode Island [Mr. PASTORE], and I did not fully understand the question. I thought the Senator from Wisconsin was inquiring regarding the direct costs to the city of the civil disorder.

As I now understand, the Senator was inquiring about the estimate of damages to buildings in the District of Columbia as a result of the civil disturbances.

The preliminary estimate of damage to buildings was \$13.3 million. This was the estimate of damage which occurred from Thursday, April 4, 1968, through noon of April 8, 1968. This estimate pertains only to those buildings which were situated in the areas where damage was most concentrated.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield to the Senator from Vermont.

Mr. AIKEN. Is the Senator from Georgia making a distinction between disasters which are unpreventable and uncontrollable and those which could be prevented or could be controlled?

Mr. RUSSELL. The Senator from Vermont has put his finger squarely on the point and on the only objective of this amendment. That is to say, here are these acts that could have been prevented or controlled or modified in some way. You are making all kinds of provisions for them elsewhere, but, please, let us keep \$35 million or \$40 million available in the fund in the event some terrible natural disaster strikes in this country.

Mr. BAYH. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield.



Mr. BAYH. The Senator from Georgia is correct about the loans versus grants.

Mr. RUSSELL. I know I am.

Mr. BAYH. The distinction is that OEP deals with public facilities whereas the SBA deals with private loans.

We have to ask the question which the Senator from Vermont hit on and that I have torn with in my mind and fought with. These innocent people are hit by a holocaust caused by a couple of score of lunatics, and the majority of the people living in these areas are law-abiding citizens and they suffer as much as they would from a tornado going down Main Street.

After this matter is completed, regardless of the outcome, I would like to introduce an amendment which would deny the benefits to anyone convicted for a violation of the law.

Mr. RUSSELL. I think that is in the law now, but I want to make doubly sure. I am glad the Senator agrees with me as to the loan provision. I think in the case of the State of Alaska they made some loans.

Mr. BAYH. I wish to make one other point, and then I shall sit down.

If one will look at the record, whenever we have had a natural disaster such as Hurricane Betsy, we had to come in and have a Betsy bill. If it is felt that the amendment is going to accomplish a solvency of the fund, I think that is really an error, because every time there is a riot in Detroit or a Hurricane Betsy, Congress has had to act to restore funds because we act on a day-to-day basis, and so we would have to do so now.

Mr. RUSSELL. There have been allocations made before Congress could make appropriations and there should be money there to take care of that purpose.

Mr. BARTLETT. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. BARTLETT. The Senator's concern also concerns me.

We are talking about two different things: natural disasters and manmade disasters. It is true that after the Alaskan hurricane, Congress, in a single day—perhaps for the first time in history—appropriated \$15 million for the OEP fund.

When we expected the hurricanes and great floods of last year, the OEP rehabilitated the public facility and the SBA moved in and made these disaster loans which were really instrumental in restoring the business community and the home community.

However, I fear that if we channel a part of that into this new activity, a natural disaster comes along and there may be no money left at all. It is true that the Congress can restore that fund, but it might take awhile.

Mr. RUSSELL. And Congress might not be in session.

Mr. BARTLETT. And Congress might not be in session.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. MANSFIELD. Do I understand that what the Senator from Georgia is endeavoring to do is to make certain there will be in existence year by year what was originally a \$35 million fund for natural disasters.

Mr. RUSSELL. That is right. I do not think that the fund we have, and are familiar with, provides that natural disaster assistance should be commingled with all the new movements we are making to provide funds for those who are victimized by riots and civil disorders. There will be plenty of money available for them. We are making it available in several different sections here. But this fund does not have a great amount of money in it. We should not open it up for a new relief program that is being provided for in several other sections of the bill.

Mr. MANSFIELD. As one who represents a State, at least in part, which has been struck by natural disasters over which it has had no control, I want to assure the Senator from Georgia that this is a good amendment and I support it.

Mr. HOLLAND. Mr. President, will the Senator from Georgia yield me 4 minutes?

Mr. RUSSELL. I yield 4 minutes to the Senator from Florida.

The PRESIDING OFFICER. Three minutes remain to the Senator from Georgia. The Senator from Florida is recognized for 3 minutes.

Mr. HOLLAND. Mr. President, there is, of course, a great difference between natural disasters and disasters caused by man. When we try to put them both together in the same bill, I feel that the Senate would be making a grave mistake.

I invite the recollection of Senators to the fact that many Members of the Senate, in the case of the recent riots in Washington, D.C., stood on this floor and criticized very strongly—and, I thought, appropriately—the weak and spineless handling of the situation by the public authorities.

There was hardly a newspaper in my State which did not come out editorializing on the subject and, I suspect in every other State in the Union. I have received many letters on the subject. When I returned to Florida recently and talked to my constituents, there was no part of any conversation with anyone to whom I talked that did not have some comment to make on the riots and the looting in Washington, and commenting on the fact that the soldiers seemed to be guarding the looters and the arsonists. The same thing could be said of the police.

If the Senate wants to be placed in the same situation as that, and have the country criticize us for passing the bill in its present form so that it would put the Federal Government in the position of paying damages occasioned at the time of riots, I fully believe that the Senate could not do anything more hurtful to itself or more hurtful to Senators than to vote for the bill in its present form.

I shall certainly support the amendment of the Senator from Georgia who, rightfully, keeps natural disasters apart from manmade disasters and would keep the Senate from being placed in the same box with the Director of Public Safety in Washington, D.C., and other officials, who have been criticized in this Chamber by dozens of Senators. I hope that the Senate will not place itself in that position.

Mr. MUSKIE. Mr. President, will the Senator from Wisconsin yield?

Mr. PROXMIRE. Mr. President, before I yield, may I suggest the absence of a quorum—

The PRESIDING OFFICER. One minute is left to the Senator from Wisconsin.

Mr. PROXMIRE (continuing). Without time being charged to either side?

The PRESIDING OFFICER. Is there objection to the request of the Senator from Wisconsin?

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum without the time being allocated from any direction.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Montana? The Chair hears none, and the clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. PROXMIRE. Mr. President, I send an amendment to the desk—

Mr. HOLLAND. Mr. President, an amendment is already pending.

Mr. PROXMIRE. Mr. President, I send an amendment to the amendment to the desk and ask that it be stated.

Mr. HOLLAND. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Florida will state it.

Mr. HOLLAND. In what degree is this amendment to the amendment?

Mr. PROXMIRE. Second degree.

The PRESIDING OFFICER. The pending amendment is an amendment in the first degree. The offering of an additional amendment would not be in order until all time has been yielded back or has expired, except by unanimous consent. Until the 1 minute is yielded back, the amendment would not be in order except by unanimous consent.

Mr. PROXMIRE. Mr. President, let me say that I would be in favor of the Russell amendment and then after that has been adopted I shall send to the desk my amendment and have it considered, after the amendment of the Senator from Georgia is adopted; is that agreeable?

Mr. RUSSELL. That is agreeable with me. However, Mr. President, I want to involve my position on this whole matter crystal clear. I am opposed to the entire title XI of S. 3497, the reinsurance plan. Nevertheless, I shall vote "aye" on the amendment to be offered by the Senator from Wisconsin after the pending amendment is accepted. As I understand it, the Senator's amendment will simply retain the eligibility of assistance provided for in the bill except for money coming from the Office of Emergency Planning which will be prohibited by my amendment. On that basis, I shall vote "aye" on the amendment to be offered by the distinguished Senator from Wisconsin, but I also have another amendment which may be offered later to strike title XI entirely.

Mr. PROXMIRE. I favor the Senator's amendment, and I understand the Senator from Georgia favors mine which I will subsequently offer.

The PRESIDING OFFICER. The ques-



tion is, then, on the amendment offered by the Senator from Georgia [Mr. RUSSELL].

Mr. HOLLAND. Mr. President, the yeas and nays have been ordered on that amendment have they not?

The PRESIDING OFFICER. The yeas and nays have been ordered.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the yeas and nays be withdrawn.

Mr. HOLLAND. Mr. President, I object.

The PRESIDING OFFICER. Objection is heard.

Mr. MANSFIELD. Mr. President—

Mr. HOLLAND. Mr. President, I object. We want a vote.

The PRESIDING OFFICER. The yeas and nays have been ordered on the amendment of the Senator from Georgia.

SEVERAL SENATORS. Vote! Vote!

The PRESIDING OFFICER. The yeas and nays have been ordered on the amendment of the Senator from Georgia, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. BIBLE], the Senator from Hawaii [Mr. INOUE], and the Senator from Missouri [Mr. LONG] are absent on official business.

I also announce that the Senator from Virginia [Mr. BYRD], the Senator from Idaho [Mr. CHURCH], the Senator from Pennsylvania [Mr. CLARK], the Senator from Connecticut [Mr. DODD], the Senator from Mississippi [Mr. EASTLAND], the Senator from North Carolina [Mr. ERVIN], the Senator from Oklahoma [Mr. HARRIS], the Senator from Indiana [Mr. HARTKE], the Senator from South Carolina [Mr. HOLLINGS], the Senator from Massachusetts [Mr. KENNEDY], the Senator from New York [Mr. KENNEDY], the Senator from Ohio [Mr. LAUSCHE], the Senator from Louisiana [Mr. LONG], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Arkansas [Mr. McCLELLAN], the Senator from Wyoming [Mr. McGEE], the Senator from South Dakota [Mr. McGOVERN], the Senator from Minnesota [Mr. MONDALE], the Senator from New Mexico [Mr. MONTOYA], the Senator from Oregon [Mr. MORSE], the Senator from Wisconsin [Mr. NELSON], the Senator from Connecticut [Mr. RIBICOFF], the Senator from Florida [Mr. SMATHERS], the Senator from Virginia [Mr. SPONG], and the Senator from Maryland [Mr. TYDINGS] are necessarily absent.

I further announce that, if present and voting, the Senator from Virginia [Mr. BYRD], the Senator from Pennsylvania [Mr. CLARK], the Senator from Mississippi [Mr. EASTLAND], the Senator from North Carolina [Mr. ERVIN], the Senator from Massachusetts [Mr. KENNEDY], the Senator from New York [Mr. KENNEDY], the Senator from Ohio [Mr. LAUSCHE], the Senator from Oregon [Mr. MORSE], the Senator from Connecticut [Mr. RIBICOFF], the Senator from Florida [Mr. SMATHERS], the Senator from Virginia [Mr. SPONG], and the Senator from Maryland [Mr. TYDINGS] would each vote "yea."

Mr. HICKENLOOPER. I announce that the Senator from Utah [Mr. BENNETT], the Senator from Kansas [Mr. CARLSON], the Senators from Kentucky [Mr. COOPER and Mr. MORTON], the Senator from Nebraska [Mr. CURTIS], the Senator from Illinois [Mr. DIRKSEN], the Senator from Arizona [Mr. FANNIN], the Senator from Hawaii [Mr. FONG], the Senator from Oregon [Mr. HATFIELD], the Senator from New York [Mr. JAVITS] and the Senators from California [Mr. KUCHEL and Mr. MURPHY] are necessarily absent.

The Senator from Michigan [Mr. GRIFFIN] is detained on official business.

If present and voting, the Senator from Utah [Mr. BENNETT], the Senator from Nebraska [Mr. CURTIS], the Senator from Illinois [Mr. DIRKSEN], the Senator from Arizona [Mr. FANNIN], the Senator from Oregon [Mr. HATFIELD], and the Senator from California [Mr. MURPHY] would each vote "yea."

On this vote, the Senator from California [Mr. KUCHEL] is paired with the Senator from New York [Mr. JAVITS]. If present and voting, the Senator from California would vote "yea" and the Senator from New York would vote "nay."

The result was announced—yeas 57, nays 2, as follows:

[No. 164 Leg.]

YEAS—57

Alken	Hansen	Pearson
Allott	Hayden	Pell
Anderson	Hickenlooper	Percy
Baker	Hill	Prouty
Bartlett	Holland	Proxmire
Bayh	Hruska	Randolph
Boggs	Jackson	Russell
Brewster	Jordan, N.C.	Scott
Brooke	Jordan, Idaho	Smith
Burdick	Magnuson	Sparkman
Byrd, W. Va.	Mansfield	Stennis
Cannon	McIntyre	Symington
Case	Metcalfe	Talmadge
Cotton	Miller	Thurmond
Dominick	Monroney	Tower
Ellender	Moss	Williams, Del.
Fulbright	Mundt	Yarborough
Gore	Muskie	Young, N. Dak.
Gruening	Pastore	Young, Ohio

NAYS—2

Hart Williams, N.J.

NOT VOTING—41

Bennett	Griffin	McClellan
Bible	Harris	McGee
Byrd, Va.	Hartke	McGovern
Carlson	Hatfield	Mondale
Church	Hollings	Montoya
Clark	Inouye	Morse
Cooper	Javits	Morton
Curtis	Kennedy, Mass.	Murphy
Dirksen	Kennedy, N.Y.	Nelson
Dodd	Kuchel	Ribicoff
Eastland	Lausche	Smathers
Ervin	Long, Mo.	Spong
Fannin	Long, La.	Tydings
Fong	McCarthy	

So Mr. RUSSELL's amendment was agreed to.

Mr. PROXMIRE. Mr. President, I send to the desk an amendment and ask that it be stated, and ask for a rollcall.

Mr. MANSFIELD. Mr. President, before the Senator does that, I ask unanimous consent that there be a time limitation of no more than 5 minutes on the present amendment, the time to be equally divided.

Mr. STENNIS. Mr. President, will the majority leader please restate that request? We could not hear.

Mr. MANSFIELD. Yes; 5 minutes equally divided.

The PRESIDING OFFICER. The Senate will be in order. The amendment will be stated.

The BILL CLERK. The Senator from Wisconsin [Mr. PROXMIRE] proposes an amendment as follows:

SEC. 1107(d) is amended to read as follows:

"(d) Section 111 of the Housing Act of 1949 is amended by striking the words 'the Secretary' after 'disaster' and inserting in lieu thereof 'or which the Secretary has determined is in need of such redevelopment or rehabilitation as a result of a riot or civil disorder, he'."

The PRESIDING OFFICER. Is there objection to the unanimous-consent request of the Senator from Montana? The Chair hears none, and it is so ordered.

Who yields time?

Mr. TOWER. Mr. President, it is my understanding that this is the last record vote of the evening; so, in behalf of the minority, I should like to avail myself of the privilege of asking the distinguished majority leader what is in store for the Senate over the next few hours.

Mr. MANSFIELD. Mr. President, it is my understanding, as a result of conversations with interested Senators who have amendments to offer, that the distinguished Senator from West Virginia [Mr. BYRD] will offer an amendment tonight, which will be accepted by the committee. Then the distinguished Senator from Texas will offer an amendment, which will be laid before the Senate and will become the pending business tomorrow.

At this time, Mr. President, as to each remaining amendment, I ask unanimous consent that there be a time limitation of 1 hour, the time to be equally divided between the manager of the bill and the proponent of the amendment, and 4 hours on the bill itself.

The PRESIDING OFFICER. Is there objection?

Mr. MILLER. Mr. President, reserving the right to object, does the majority leader's request cover amendments not yet filed?

Mr. MANSFIELD. Yes.

Mr. TOWER. Any amendment.

Mr. MILLER. I have no objection.

Mr. STENNIS. Mr. President, reserving the right to object, this is an awfully large bill. I made a study of it yesterday, and have done what I could here this afternoon. It involves \$5 billion, and we do not know yet how much of it is new money and how much is old money.

I am not trying to delay the Senate. I do not know that I have ever objected to a unanimous-consent request to limit time on a major issue. But I think we have some responsibility here, Mr. President. This is a matter on which there have been no hearings. The amendment we considered just a few minutes ago could very well have been a major matter. I ask the majority leader to wait until morning before making such a request.

Mr. MANSFIELD. Mr. President, I withdraw my request.

The PRESIDING OFFICER. The request is withdrawn.



Mr. PROXMIRE. Mr. President, I shall be very brief. I shall not use all of my 5 minutes.

What this amendment would do, is simply clarify section 1107(d), and clarify what I understand was the intention of the Senator from Georgia.

The amendment would permit victims of riots and disorders to be given priority in relocating in urban renewal areas upon the determination of the Secretary of Housing and Urban Development that there was a substantial need. The amendment would thus render these benefits independent of a Presidentially declared disaster.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield.

Mr. HOLLAND. I understood from the discussion awhile ago that there would also be included another proviso, that the recipient of benefits had taken no part in the riot.

Mr. PROXMIRE. Yes; that is the Bayh amendment. The Senator from Indiana intends to offer an amendment to that effect, I understand.

Mr. BAYH. That is correct.

Mr. RUSSELL. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield.

Mr. RUSSELL. I would say that this carries out the purport of my amendment, but the Senator from Wisconsin left the impression that this is what I favor. I am not much in favor of any part of title XI.

Mr. SYMINGTON. Mr. President, as a matter of interest, why is the interest rate established at 3 percent?

Mr. PROXMIRE. This is a policy that was established some time ago. It represents a subsidy. The reason for the subsidy is that these people have been subjected to a disastrous occurrence over which they had no control, and it represents an opportunity for them to replace their homes or their stores.

Mr. SYMINGTON. May I ask the able Senator what the price of money is today?

Mr. PROXMIRE. The price of money for this type of loan, I take it, is probably in excess of 7 percent.

Mr. SYMINGTON. What is the cost to the Government? What is the base rate?

Mr. PROXMIRE. The base rate is between 5 and 6 percent.

Mr. STENNIS. Mr. President, will the Senator yield for a question?

Mr. PROXMIRE. I yield.

Mr. STENNIS. How much is allowed, under this amendment, to be used for these loans? What is the limitation?

Mr. PROXMIRE. The limitation is, of course, up to the Appropriations Committee, as it always has been in the past, to decide whether or not they want to fund the loans. There is no appropriation in the bill.

Mr. STENNIS. This represents, then, an open end appropriation for this type of loans at 3 percent; is that correct?

Mr. PROXMIRE. The Senator is correct.

Mr. STENNIS. And who in the executive department will make the decisions under this amendment?

Mr. PROXMIRE. The Small Business Administrator.

Mr. MILLER. Mr. President, will the Senator yield for a question?

Mr. PROXMIRE. I am happy to yield.

Mr. MILLER. As I understand it, in disaster relief legislation, there is a distinction between—

The PRESIDING OFFICER. The Senator's time has expired.

Mr. MILLER. Will the Senator from Texas yield me 2 minutes?

Mr. TOWER. I yield 2 minutes to the Senator from Iowa.

Mr. MILLER. As I understand there is a distinction, in disaster relief, between a major disaster and just a disaster. With reference to authority to issue these low-interest loans, is there any distinction in the amendment with respect to whether it is a major disaster or just a disaster? And if not, would it not be a good idea to change it to conform to this policy?

Mr. PROXMIRE. Mr. President, it does conform. It requires that the same criteria be met as under existing law. Thus, the SBA Director is under no compulsion, now, in the event of a natural disaster, to provide these loans; he has to determine, as the Senator from Iowa has indicated, that it is a significant disaster. The same would be true as to this amendment.

Mr. PROXMIRE. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. TOWER. Mr. President, I yield back the remainder of my time.

Mr. PROXMIRE. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time having expired, the question is on agreeing to the amendment of the Senator from Wisconsin. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. BIBLE], the Senator from Hawaii [Mr. INOUE], and the Senator from Missouri [Mr. LONG] are absent on official business.

I also announce that the Senator from Virginia [Mr. BYRD], the Senator from Idaho [Mr. CHURCH], the Senator from Pennsylvania [Mr. CLARK], the Senator from Connecticut [Mr. DODD], the Senator from Mississippi [Mr. EASTLAND], the Senator from North Carolina [Mr. ERVIN], the Senator from Oklahoma [Mr. HARRIS], the Senator from Indiana [Mr. HARTKE], the Senator from South Carolina [Mr. HOLLINGS], the Senator from Massachusetts [Mr. KENNEDY], the Senator from New York [Mr. KENNEDY], the Senator from Ohio [Mr. LAUSCHE], the Senator from Louisiana [Mr. LONG], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Arkansas [Mr. MCCLELLAN], the Senator from Wyoming [Mr. MCGEE], the Senator from South Dakota [Mr. MCGOVERN], the Senator from Minnesota [Mr. MONDALE], the Senator from New Mexico [Mr. MONTROYA], the Senator from Oregon [Mr. MORSE], the Senator from Wisconsin [Mr. NELSON], the Senator from Rhode Island [Mr. PASTORE], the Senator from Connecticut [Mr. RIBICOFF], the Senator from Florida [Mr. SMATHERS], the Senator from Virginia [Mr. SPONG], and the

Senator from Maryland [Mr. TYDINGS] are necessarily absent.

Mr. HICKENLOOPER. I announce that the Senator from Utah [Mr. BENNETT], the Senator from Kansas [Mr. CARLSON], the Senators from Kentucky [Mr. COOPER and Mr. MORTON], the Senator from Nebraska [Mr. CURTIS], the Senator from Illinois [Mr. DIRKSEN], the Senator from Arizona [Mr. FANNIN], the Senator from Hawaii [Mr. FONG], the Senator from Oregon [Mr. HATFIELD], the Senator from New York [Mr. JAVITS], and the Senators from California [Mr. KUCHEL and Mr. MURPHY] are necessarily absent.

The Senator from Michigan [Mr. GRIFFIN] is detained on official business.

If present and voting, the Senator from Utah [Mr. BENNETT], the Senator from Nebraska [Mr. CURTIS], the Senator from Illinois [Mr. DIRKSEN], the Senator from Arizona [Mr. FANNIN], the Senator from Michigan [Mr. GRIFFIN], the Senator from Oregon [Mr. HATFIELD], the Senator from New York [Mr. JAVITS], and the Senators from California [Mr. KUCHEL and Mr. MURPHY] would each vote "yea."

The result was announced—yeas 56, nays 2, as follows:

[No. 165 Leg.]

YEAS—56

Aiken	Hansen	Pearson
Allott	Hart	Pell
Anderson	Hayden	Percy
Baker	Hickenlooper	Prouty
Bartlett	Hill	Proxmire
Bayh	Holland	Randolph
Boggs	Hruska	Russell
Brewster	Jackson	Scott
Brooke	Jordan, N.C.	Smith
Burdick	Jordan, Idaho	Sparkman
Byrd, W. Va.	Magnuson	Symington
Cannon	Mansfield	Talmadge
Case	McIntyre	Tower
Cotton	Metcalf	Williams, N.J.
Dominick	Miller	Williams, Del.
Ellender	Monroney	Yarborough
Fulbright	Moss	Young, N. Dak.
Gore	Mundt	Young, Ohio
Gruening	Muskie	

NAYS—2

Stennis

Thurmond

NOT VOTING—42

Bennett	Griffin	McClellan
Bible	Harris	McGee
Byrd, Va.	Hartke	McGovern
Carlson	Hatfield	Mondale
Church	Hollings	Montoya
Clark	Inouye	Morse
Cooper	Javits	Morton
Curtis	Kennedy, Mass.	Murphy
Dirksen	Kennedy, N.Y.	Nelson
Dodd	Kuchel	Pastore
Eastland	Lausche	Ribicoff
Ervin	Long, Mo.	Smathers
Fannin	Long, La.	Spong
Fong	McCarthy	Tydings

So Mr. PROXMIRE's amendment was agreed to.

Mr. SPARKMAN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. HOLLAND. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

AMENDMENT NO. 830

Mr. BYRD of West Virginia. Mr. President, I call up my amendment No. 830 and ask that it be read.

The PRESIDING OFFICER. The amendment offered by the Senator from West Virginia will be stated.



The legislative clerk proceeded to read the amendment.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and without objection, the amendment will be printed in the RECORD.

The amendment is as follows:

On page 11, line 3, after "organization" insert "or public body or agency".

On page 11, line 14, after "organization" insert "or public body or agency".

On page 15, line 5, after "organization" insert "or public body or agency".

On page 31, line 14, after "organizations" insert "or public bodies or agencies".

On page 31, line 25, after "organizations" insert "or public bodies or agencies".

On page 32, line 19, strike out "the" and insert "any".

On page 55, line 6, after "221" insert " , or by a public body or agency".

On page 59, line 6, after "entity," insert "a public body or agency".

Mr. BYRD of West Virginia. Mr. President, I modify my amendment by striking out all verbiage beginning with and including line 7 on page 1 and extending through and including line 5 on page 2.

The PRESIDING OFFICER. The amendment is so modified.

Does the Senator ask unanimous consent that his amendments be considered en bloc?

Mr. BYRD of West Virginia. I do.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BYRD of West Virginia. Mr. President, the amendment I have offered would simply give to local housing authorities the right to purchase, rehabilitate, and sell housing units to low-income families. It is my understanding that local housing authorities do not now have this authority under new section 101 of this bill, nor does the bill propose giving those authorities such authority.

I have discussed this matter with the chairman of the Banking and Currency Committee, and he believes that my amendment will be very helpful in furthering the prospects of homeownership for low-income families.

Under existing law, when the income of families occupying public housing reaches certain levels, they are no longer eligible as public housing tenants and are required to move out. Oftentimes these families' incomes are not sufficient for them to move into housing carrying an economic rent and, in some instances, they are required to either double up with other families or move into slum areas or dilapidated housing.

Under my amendment, the local housing authorities could be further helpful to these families by offering to sell to them rehabilitated units, thus helping them on the step toward homeownership.

If I understand the bill correctly, these families generally would be families who would be eligible to receive the homeownership interest rate subsidy feature of section 101 of the bill. I should like to ask the chairman of the Banking and Currency Committee if this would be true.

Mr. SPARKMAN. The Senator is correct.

Mr. BYRD of West Virginia. It is my further understanding that the authority that my amendment would give to local housing authorities would be the same authority that nonprofit organizations are given under title I of the bill in respect to sponsoring housing for lower income families. I should also like to ask the chairman of the Banking and Currency Committee if this is a true statement.

Mr. SPARKMAN. The Senator is correct.

I may say that I have discussed this amendment with the Senator from West Virginia, and we collaborated in the changes that were made in the amendment.

I have discussed it with the distinguished Senator from Texas, and he shares with me, I believe, the feeling that it would be a helpful amendment.

Mr. TOWER. I believe it is a very constructive amendment, and for my side, we are prepared to accept it.

Mr. SPARKMAN. We are prepared to accept it.

The PRESIDING OFFICER. The question is on agreeing to the amendments of the Senator from West Virginia.

The amendments were agreed to.

Mr. SPARKMAN. Mr. President, I offer two technical amendments.

The PRESIDING OFFICER. The amendments offered by the Senator from Alabama will be stated.

The bill clerk read the amendments, as follows:

On page 81, line 22, strike out "PROGRAMS" and insert "FLEXIBLE INTEREST RATES FOR CERTAIN FHA INSURANCE PROGRAMS".

On page 156, strike out line 17 and insert " , and".

On page 303, line 12, strike out "interest" and insert "interests".

Mr. SPARKMAN. Mr. President, I ask unanimous consent that the amendments be considered en bloc.

The PRESIDING OFFICER (Mr. HART in the chair). Without objection, it is so ordered.

Mr. WILLIAMS of Delaware. What would the amendments do?

Mr. SPARKMAN. It is purely technical; nothing substantive.

The PRESIDING OFFICER. The question is on agreeing to the amendments of the Senator from Alabama.

The amendments were agreed to.

Mr. SPARKMAN. Mr. President, I offer another amendment. It is not entirely technical.

The PRESIDING OFFICER. The amendment offered by the Senator from Alabama will be stated.

The bill clerk read the amendment, as follows:

After line 4, page 3, insert the following:  
"Sec. 5. The provision of Public Law 89-426 for special studies of the savings and loan industry is amended by striking '1968' and inserting in lieu thereof '1969'."

Mr. SPARKMAN. Mr. President, this amendment relates to a study that has been authorized by Congress, in which the time set was 1968. This amendment would extend the time for 1 year.

Mr. TOWER. This amendment requires no additional funding?

Mr. SPARKMAN. No.

Mr. MANSFIELD. Mr. President, may

I say that I found it quite difficult to analyze the expression on the face of the Senator from Delaware as he listened to this explanation.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Alabama.

The amendment was agreed to.

AMENDMENT NO. 828

Mr. TOWER. Mr. President, I call up my amendment No. 828.

The PRESIDING OFFICER. The amendment will be stated.

The bill clerk read the amendment, as follows:

On page 156, line 19, strike out "\$500,000,000" and insert "\$250,000,000".

UNANIMOUS-CONSENT AGREEMENT

Mr. TOWER. Mr. President, I ask unanimous consent that the time for debate on this amendment tomorrow be limited to 1 hour, 30 minutes to be under the control of the distinguished Senator from Alabama and 30 minutes to be under my control.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. TOWER. Mr. President, I ask unanimous consent that time be limited to 1 hour on all subsequent amendments that I might offer, 30 minutes to be under the control of the Senator from Alabama and 30 minutes to be under my control.

The PRESIDING OFFICER. Without objection, it is so ordered.

The unanimous-consent agreement, subsequently reduced to writing, is as follows:

UNANIMOUS-CONSENT AGREEMENT

Ordered, That during the further consideration of the bill (S. 3497) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development, debate on the pending amendment (No. 828) and all other amendments to be offered by the Senator from Texas [Mr. TOWER] shall be limited to 1 hour, to be equally divided and controlled by the Senator from Texas [Mr. TOWER] and the Senator from Alabama [Mr. SPARKMAN].

Mr. MCINTYRE. Mr. President, it has long been recognized that decent housing alone will not resolve the crisis of our cities. But it is a giant step along the way. And it is for that reason that I gladly support the Housing and Urban Development Act of 1968.

President Johnson has called this legislation "a charter of renewed hope for the American city." If we can build and rebuild in 10 years enough good housing to replace substantially all of the substandard homes that scar our cities and stunt the development of our people—if we can move ahead with other programs so important to our national life, then we will be able to say of the patient—in this case the American city—that the crisis has passed.

The new measure before us has as its goal 6 million new and rehabilitated dwelling units for low- and moderate-income families within the next decade. It aspires to 300,000 housing starts within the next fiscal year and 2.35 million within the next 5 years.

Reaching these goals will strain our means—both public and private—for



production, but should also result in new and better means for achieving our ends. The legislation we are considering contains new and innovative approaches to greater production—the interest subsidy for both homeownership and rental housing, the turnkey method of developing public housing, and most intriguing—the proposed National Housing Partnerships.

During consideration of this legislation before the Banking and Currency Committee, it became obvious that the housing industry in this Nation—though very large—is fantastically fragmented. No single existing entity accounts for more than one-third of 1 percent of the market, and very few firms carry out homebuilding activities on anything approaching a national scale. As a result, none of the savings or expertise of volume production have been accruing to the homebuilding industry.

The proposed National Housing Partnerships would remedy this. A national organization devoted solely to the production of low- and moderate-income housing could recruit top managerial and technical staff—experts in the field of housing production and management—provide needed capital and operate on a nationwide basis, achieving volume production economies.

Mr. President, the National Housing Partnerships idea is the most interesting result of a year-long study undertaken by the President's Commission on Urban Housing, chaired by Edgar F. Kaiser. The Commission was pledged to find new ways to involve private enterprise in constructing low- and moderate-income housing. Their suggestions warrant our close consideration—and may I state here—the Commission has endorsed virtually all of the provisions of this omnibus bill.

Testifying before the Banking and Currency Committee with regard to the partnerships idea, Chairman Kaiser said:

In the course of developing this proposal without asking for a pledge of financial participation, we contacted a broad segment of large industry to determine whether this proposal would receive industrial support. Based upon the response of the chief executives of those firms contacted, we are confident that sufficient funds can be generated.

Mr. President, as provided in title IX of this bill the mechanics of the partnerships are simple. It would create a federally chartered corporation which would serve as the general partner and managing agent of the National Partnership. Each of the stockholders, industrial and financial companies, could be limited partners. The corporation, specifically organized to provide essential management skills in housing development, would be the general partner. It would receive a fee for supplying staff and organizational skills in planning specific local projects.

Each large investor would put not more than 5 percent in the corporation's stock, and the balance in the partnership. As a limited partner he would not be liable for the debts of the partnership beyond his investment.

The partnership would join with local builders, investors and developers to pro-

duce housing. The partnership would generally be limited to 25 percent ownership of any project.

Mr. President, this arrangement virtually assures an adequate return to investors and yet it involves no change in existing tax law. Under the present Internal Revenue code partnership losses, for tax purposes, flow to the individual partners. In the case of new housing units, the annual depreciation of the building costs results in substantial book losses during the first 10 years. The member's share of the depreciation losses, plus cash income from project operations, provides an after-tax return on his investment that would compare favorably with the return realized by most industrial firms on their equity capital.

With this incentive, private investors should be attracted by the opportunity to earn a fair return, while at the same time helping to solve a national problem.

The potential of this plan and its interest for developers is magnificently illustrated by the experience of Matthew J. Domber of New York. Mr. Domber, a developer, recently wrote to several members of the committee expressing his support for the National Housing Partnerships and I ask unanimous consent to have his letter printed at this point in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

DOMBER & WARD,  
ATTORNEYS AT LAW,

New York, N.Y., May 9, 1968.

Re National Housing Partnerships: Title IX, Proposed Housing and Urban Development Act of 1968.

I am writing to urge your support of the proposed National Housing Partnerships provision of the Housing and Urban Development Act of 1968.

Over the past ten years, I have observed from a variety of vantage points the unfolding of various local and national programs designed to meet the housing needs of low income families.

At various times during this period I have served as special development counsel to such major redevelopers as Tishman Realty and Construction Company, as executive vice-president of a leading New York development corporation specializing in middle-income housing, as First Deputy New York City Rent and Rehabilitation Administrator and, at present, as consultant to such organizations as The Metropolitan Detroit Citizens Development Authority, The Ford Foundation, the Committee on Housing of the New York City Council and as a principal in a number of urban development projects in the Metropolitan New York area.

It has become increasingly clear that the housing industry, as presently constituted, is incapable of meeting the challenge of housing low income families. The scale is wrong, the risks and stresses are much higher than compensable within a framework of low rents, the management and social problems are beyond the experience and capabilities of most builders, etc., etc. These constraints and others have been enumerated again and again by most students of housing problems and are now "old hat."

But what can be done about it? How do we break the mold and make a start towards developing new institutions and new ways of organizing the housing market?

When one realizes that between 1961 and 1966 a total of only 48,000 apartments were insured by FHA under Section 221(d)(3) BMIR, the magnitude of the task of meeting the announced goal of constructing six mil-

lion low income housing units over the next ten years becomes apparent.

It is in this context that I commend the proposed National Housing Partnerships which, in my opinion, represents a constructive beginning to creating a housing instrumentality with the potential of achieving national scope.

The authorization to create a corporation under national auspices which could serve as the general partner in a series of partnerships with local interests participating as limited partners may one day be looked back upon as a milestone in housing legislation. This limited partnership form offers a vehicle for a national-local community link-up that can combine the advantages of large-scale market organization, expertise and sound financing with sensitivity to local need, utilization of local skills and industry and obtaining the maximum benefit from the knowledge of local conditions and requirements found only within the community.

At the same time, by obviously appealing to the investor interested in tax writeoffs without management involvement or responsibility, it has the potential of tapping substantial sources of investment capital. It should also have further appeal to the large corporate entities, as well as to the small, which can look forward to a national housing market as giving them an outlet for mass-produced building products and materials at low unit prices. Union labor should benefit from the potential construction volume which offers a possible road to rationally approaching industrialized construction through a guaranteed annual wage. Local contractors should benefit from being plugged into a system which simplifies their overhead problems and paper work, reduces their risks and permits them to devote their energies and talents to the construction process for which they are best organized. Most of all the consumer benefits, particularly the low income consumer, for whom a standard dwelling at reasonable cost can be provided.

In short, there is appeal to all, provided that the national partnership functions in a manner that is truly responsive to local community needs and provides maximum participation for local interests of all kinds. Its ability to function in this way will be the true test of its ultimate stability.

In Detroit, as a development consultant to the Metropolitan Detroit Citizens Development Authority (really in microcosm a first cousin to a National Housing Partnership), I have seen at first hand the potential that a local, private non-profit corporation can realize when it harnesses for the common objective of providing housing for low income families the combined might of local government, local business and industrial leaders, local labor leaders, local community leaders and local civic and religious leaders. The incorporators of MDCDO were Detroit Mayor Jerome Cavanagh, Walter Reuther, President of the United Auto Workers, and Walker Cisler, Chairman of the Board of the Detroit Edison Company. It numbers among its officers and directors such national and community leaders as Most Reverend John Dearden, Archbishop of Detroit, Raymond Perring, Chairman of the Board of the Detroit Bank & Trust Company, Henry Ford II, Chairman of the Board of the Ford Motor Company, James Roche, President of General Motors Corp., Roy Chapin, Chairman of the Board of American Motors Corp., Virgil Boyd, President of Chrysler Corp., William Day, President of Michigan Bell Telephone Company, Father Malcolm Carron, President of the University of Detroit, Joseph Hudson, President of The J. L. Hudson Company, James Wadsworth, President of NAACP, Max Fisher, Francis Kornegay, Executive Director of the Detroit Urban League, Mrs. Mattie Myers, Ralph Bunche Community Council, and others of similar stature too numerous to list. In brief its composition is virtually a "Who's—Who" of Detroit, representing all



major business, labor, civic, religious, community and ethnic groups.

Since beginning operations in August, 1967, with the hiring of its dynamic, young executive director, Edward Robinson, it has raised more than \$650,000 to finance its initial efforts, has replanned with the aid of an internationally assembled team of expert consultants an urban renewal area for upper income residents to one designed for low income families along new and innovative lines, has brought this project in less than six months to the point where construction is now ready to begin on the first 300 apartments one year earlier than the City had thought possible, has begun several housing demonstration projects and is studying others, is extending its expertise and financial resources to aid community groups to plan their own neighborhoods, is developing a metropolitan housing strategy aimed at utilizing public and private funds to construct thousands of dwelling units in the Metropolitan Detroit area during the next five years and is preparing a campaign to raise more than six million dollars from the business community and foundations for carrying out its purposes.

These rapid strides have been made possible in less than ten months by the combination of adequate financing and working capital, ability to call upon national expertise and consultants, the prestige, commitment and political and economic impact of the sponsors, and their ability to obtain the attention of government at all levels, the ability to call upon needed resources, skills and inputs from the business community and the ability to borrow top-level industry personnel for specific missions, to name just a few of the more obvious plus factors.

The fact is, that no other group, public or private, and certainly not a private sponsor or even a non-profit sponsor of lesser magnitude, could have moved as expeditiously or accomplished so much in so short a period of time. It is all the more remarkable when you consider that all of this has been done working cooperatively and in partnership with the local community groups affected by each project.

The accomplishments of MDCDA, as dramatic as they are when compared with what is happening in other cities, are relatively minor when viewed in the light of the national potential that the National Housing Partnership could unleash. Just imagine what it could accomplish with a blanket allocation of 500 million dollars in BMIR 1% funds per year, backed by the working capital and staff to put this financing to work in partnership with MDCDA-type non-profit organizations and with local for-profit consortiums of similar prestige in every metropolitan area.

The lesson for every city concerned with problems similar to those of Detroit is obvious. Persons of the caliber of those sponsoring MDCDA exist in every major urban area of this country. All that is needed is an awareness of how organization and unity of purpose can achieve results and an igniting spark to set things in motion.

In my judgment, the proposed National Housing Partnership, properly administered, can provide that spark and can provide the national expertise and stimulus to enlightened local action. It can provide the catalyst to fuse the organization of each metropolitan area into a national housing market giving needed incentive for the long-required updating of our construction industry.

For the reasons stated, I strongly commend for your support the proposed Article IX.

Sincerely,

MATTHEW J. DOMBER.

Mr. MCINTYRE. Mr. President, I believe the words of Mr. Domber and the

testimony of Mr. Kaiser are eloquent arguments for this plan. I believe, too, that the challenge before us today to do everything possible—to explore every path—in order to build homes for our people is obvious. The proposed legislation before us is the place to start.

Mr. MANSFIELD. Mr. President, no further business will be considered tonight in connection with the pending measure.

#### ORDER FOR RECESS TO 10 A.M. TOMORROW

Mr. MANSFIELD. Mr. President, I ask unanimous consent that when the Senate completes its business this evening, it stand in recess until 10 o'clock tomorrow morning.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SPARKMAN. Mr. President, will the Senator yield for a question?

Mr. MANSFIELD. I yield.

Mr. SPARKMAN. Does that mean that when the Senate convenes at 10 o'clock tomorrow morning, there will be no period for the transaction of routine morning business and that we will go immediately into debate on the bill?

Mr. MANSFIELD. That is correct.

#### INTEREST ON LOANS AND MORTGAGES

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1102, S. 3017.

The PRESIDING OFFICER. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (S. 3017) to change the provision with respect to the maximum rate of interest permitted on loans and mortgages insured under title XI of the Merchant Marine Act, 1936.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Commerce, with amendments, on page 1, after "(5)" at the beginning of line 5 strike out "Shall" and insert "shall"; and on page 2, in line 2, after the word "of" strike out "Commerce." and insert "Commerce;"; so as to make the bill read:

#### S. 3017

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1104(a)(5) of the Merchant Marine Act, 1936, as amended, is amended to read as follows:*

*"(5) shall secure bonds, notes, or other obligations bearing interest (exclusive of premium charges for insurance and service charges (if any) at rates not to exceed such per centum per annum on the principal obligation outstanding as the Secretary of Commerce determines to be reasonable, taking into account the range of interest rates prevailing in the private market for similar loans and the risks assumed by the Department of Commerce;"*

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the amendments be considered en bloc.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WILLIAMS of Delaware. Mr. President, may we have an explanation of the bill?

Mr. MANSFIELD. Mr. President, the purpose of S. 3017, introduced at the request of the Secretary of Commerce, would remove the 6-percent statutory interest ceiling on loans and mortgages insured under title XI of the Merchant Marine Act, 1936, as amended, and give the Secretary of Commerce the authority to approve such interest rates as he determines to be reasonable, taking into account the range of interest rates prevailing in the private market for similar loans and the risks assumed by the Department of Commerce.

That is a brief explanation.

Mr. WILLIAMS of Delaware. I shall not object to the bill. I realize it is necessary under the circumstances. However, I point out here again that the reason this bill is necessary is to keep pace with the high-interest policies of this administration. It is a policy under which interest rates already have passed 6 percent, and they are moving into the range of 7 to 8 percent. Unless some action is taken by the administration and Congress to exercise some degree of fiscal restraint there is no limit on where they can go.

I hope the administration and Congress together will be able to take appropriate steps to eliminate the necessity for this ever-increasing interest rate.

Mr. President, it is rather significant that during the last several years of the Eisenhower administration we heard almost daily speeches expressing great concern about the high interest rates, which were then approaching 4 percent. Today, as we get to nearly 7 percent those voices have become strangely silent. Why? Have they no concern over the plight of the borrower?

I would hope that some Senators would join us in expressing as much concern over the 7-percent interest rates as they did when the interest rate was nearly one-half of what it is today. Small businessmen, farmers, and homeowners cannot cope with the interest rates under the Johnson administration.

Mr. MANSFIELD. Mr. President, I am in complete accord with what the Senator from Delaware has said. I hope this warning—and the warning flags are becoming more numerous—is taken cognizance of. It has been by the administration but I hope that the Congress will do so as well, so that in tandem we can face up to this joint responsibility.

Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 1119), explaining the purposes of the bill.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

#### PURPOSE OF THE BILL

S. 3017, introduced at the request of the Secretary of Commerce would remove the 6-percent statutory interest ceiling on loans and mortgages insured under title XI of the Merchant Marine Act, 1936, as amended, and give the Secretary of Commerce the authority to approve such interest rates as he determines to be reasonable, taking into account







# **DIGEST** of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE  
WASHINGTON, D. C. 20250  
OFFICIAL BUSINESS

POSTAGE AND FEES PAID  
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE  
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Issued May 29, 1968  
For actions of May 28, 1968  
90th-2nd; No. 92

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HIGHLIGHTS: Senate debated agricultural appropriation bill. Senate passed housing bill.



SENATE

1. APPROPRIATIONS. Began debate on H. R. 16913, the agricultural appropriation bill (pp. S6561, S6584-601). Adopted the committee amendments en bloc for the purpose of further amendment (pp. S6595-6). Unanimous consent was granted that today, May 29, the debate on any amendment would be limited to 1 hour (p. S6584). Sens. Holland and Williams filed notice of intention to move for suspension of the rules for purpose of proposing an amendment to the bill (p. S6561). Pending at adjournment was an amendment by Sen. Hart for increased amounts over the committee approved bill for the school lunch program as follows: For special assistance to needy schools +\$2.5 million (total of \$10 million); for pilot school breakfast program + \$2 million (total of \$6.5 million); for non-food assistance +\$4.5 million (total of \$6.5 million); and for State administrative expenses +\$2.3 million (total of \$2.3 million)(p. S6596).
2. HOUSING. Passed, 67-4, with amendments, S. 3497, the proposed Housing and Urban Development Act of 1968 (pp. S6489, S6490-1, S6493-516, S6518-54). Amendments agreed to include the following: By Sen. Bayh to remove certain restrictions on the eligibility of applicants for certain FHA disaster relief loans (limited not to exceed \$30,000) due to serious damage resulting from major disasters (p. S6522); by Sen. Metcalf to extend certain SBA disaster relief programs to the Trust Territory of the Pacific Islands (p. S6525); by Sen. Bayh, to provide that one may not receive benefits from disaster relief provisions if he is convicted of having taken part in a riot (pp. S6515); by Sen. Bayh to provide temporary housing for victims of major disasters (pp. S6519-20); by Sen. Proxmire, to add language to improve technology in development of housing for lower income families (pp. S6513-4), and by Sen. Hart to require the use of new technology in construction to the greatest extent feasible (pp. S6520-1); by Sen. Javits, to require consultation with the Department of Labor and SBA so that to the greatest extent possible employment opportunities be made available for lower income persons in connection with assisted projects (pp. S6510-12), and by Sen. Clark, to provide that to the extent possible new job opportunity be provided for the unemployed and underemployed in connection with water and sewer facilities projects (pp. S6514-5).  
Sen. Pearson commended the rural housing provisions of the bill (pp. S6549-50). He also submitted, then withdrew, an amendment which would have amended the Housing Act of 1949 to increase the ceiling that the Farmers Home Administration might include in a housing project in a rural area (p. S6507).  
For other provisions of S. 3497, see Digest 86
3. TRANSPORTATION. The Commerce Committee reported with amendments S. 752, to amend section 203(b)(5) of the Interstate Commerce Act to clarify this exemption with respect to transportation performed by agricultural cooperative associations for nonmembers (S. Rept. 1152). p. S6558  
Conferees were appointed on H. R. 15190, to provide for an investigation and study to determine a site for the construction of a sea-level canal connecting the Atlantic and Pacific Oceans. p. S6504
4. WATER. Passed with amendment S. 224, to provide for rehabilitation of the Ek-lutna project, Alaska. At the request of Sen. Mansfield the following excerpt





United States  
of America

# Congressional Record

PROCEEDINGS AND DEBATES OF THE 90<sup>th</sup> CONGRESS, SECOND SESSION

Vol. 114

WASHINGTON, TUESDAY, MAY 28, 1968

No. 92

## Senate

(Legislative day of Monday, May 27, 1967)

### ORDER OF BUSINESS

Mr. TOWER obtained the floor.

Mr. TOWER. Mr. President, I ask unanimous consent that I might yield to the distinguished Senator from Montana, without losing my right to the floor, and with the time not being charged to either side.

The PRESIDENT pro tempore. Without objection, it is so ordered.

### LEGISLATIVE SESSION

Mr. MANSFIELD. Mr. President, I move that the Senate resume the consideration of legislative business.

The motion was agreed to, and the Senate resumed the consideration of legislative business.

### HOUSING AND URBAN DEVELOPMENT ACT OF 1968

The Senate resumed the consideration of the bill (S. 3497) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development.

Mr. MANSFIELD. Mr. President, what is the pending amendment?

The PRESIDING OFFICER. Amendment No. 828, offered by the Senator from Texas.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum, on the same basis as stipulated previously by the distinguished Senator from Texas when he yielded the floor temporarily.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded, and that the distinguished Senator from Ohio [Mr. Young] be allowed to proceed for not to exceed 5 minutes, the time not to be charged to either side.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senate met at 10 a.m., on the expiration of the recess, and was called to order by the President pro tempore.

The Chaplain, Rev. Frederick Brown Harris, D.D., offered the following prayer:

Gracious God, our Father, whose still small voice invites us to turn aside from the feverish ways of the world, and whose tender love bids us find our strength in Thee: We are conscious as we bow at this altar of Thy grace that if we live a life of prayer Thou art present everywhere.

Amid the duties of these demanding days, by the spiritual resources that are found in Thee alone, may our spirits be refreshed and our souls restored.

With minds burdened for the Nation and for the world, we turn to Thee in this baffling hour knowing that what supremely counts has nothing to do with the appraisals of men or with honors for which men contend, but has to do with what causes use us. Deliver us from political policies which are symptoms of spiritual disease. O make our hearts Thy dwelling place, and worthier Thee.

We ask it in the dear Redeemer's name. Amen.

### THE JOURNAL

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Journal of the proceedings of Monday, May 27, 1968, be approved.

The PRESIDENT pro tempore. Without objection, it is so ordered.

### HOUSING AND URBAN DEVELOPMENT ACT OF 1968

The PRESIDENT pro tempore. The Chair lays before the Senate the unfinished business, which will be stated by title.

The LEGISLATIVE CLERK. A bill (S. 3497) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development.

The Senate resumed the consideration of the bill.

### COMMITTEE MEETINGS DURING SENATE SESSION

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Subcommittee on Business and Commerce of the Committee on the District of Columbia, the Committee on Commerce, the Subcommittee on Oil and Water Pollution of the Committee on Public Works, and the Subcommittee on Intergovernmental Operations of the Committee on Government Operations be authorized to meet during the session of the Senate today.

The PRESIDENT pro tempore. Without objection, it is so ordered.

### EXECUTIVE SESSION

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate go into executive session to consider a nomination on the Executive Calendar.

The PRESIDENT pro tempore. Without objection, it is so ordered.

### MISSISSIPPI RIVER COMMISSION

The bill clerk read the nomination of Roy T. Sessums, of Louisiana, to be a member of the Mississippi River Commission.

The PRESIDENT pro tempore. Without objection, the nomination is considered and confirmed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the President be immediately notified of the confirmation of the nomination.

The PRESIDENT pro tempore. Without objection, it is so ordered.

ONLY 85,000 NORTH VIETNAMESE COULD NOT ACCOMPLISH ALL THE REVERSES WE HAVE SUSTAINED THIS YEAR

Mr. YOUNG of Ohio. Mr. President, while negotiations for an armistice and cease-fire continue in Paris, we are fighting and destroying South Vietnamese homes within the city of Saigon because the Vietcong have attacked our forces in Saigon and Cholon, the Chinese tenement district, and elsewhere in South



Vietnam. In South Vietnam we continue to destroy the villages and homes of the South Vietnamese and in the process kill many of the occupants—women, children, and old men.

It is the great tragedy of this war that time and again we have destroyed South Vietnamese villages to save them. That American major explaining what happened at Ben Tre put our entire Vietnam involvement in proper perspective. He said, "It became necessary to destroy the city to save it." So, Ben Tre, a city of 35,000 population in the Mekong Delta, following the time that it had been occupied by the VC was destroyed methodically by American bombs, napalm, shells, and rockets. More than 10,000 civilians—women, children, and men—were killed, including some thousands of refugees who had fled to the city for safety. Nobody knows how many thousands, because entire families were permanently buried in the rubble. "It became necessary to destroy the city to save it." This was a shameful episode in the history of the Armed Forces and of our country.

When President Eisenhower left the White House we had only 685 military advisers in all South Vietnam. On the day President Kennedy was assassinated we had approximately 16,000 military advisers; but Americans acted solely as military advisers. They were not engaged in any fighting in the civil war that was raging in South Vietnam. President Johnson changed all this. We now have close to 600,000 combat troops in South Vietnam and Thailand. Under President Johnson and Secretary of State Dean Rusk we have chosen sides in a civil war, and the South Vietnamese people definitely do not appreciate our interference, any more than we Americans would if a foreign power became involved in our internal affairs and sent in airplanes or ground forces claiming they had a commitment to restore law and order in the United States and bring justice to an oppressed minority.

Our history throughout President Eisenhower's administration of 8 years and President Kennedy's administration of nearly 3 years refutes the untruthful allegations made that we are in Vietnam because of commitments made by three American Presidents. We are in Vietnam simply because of the stubborn determination of President Johnson. We have made no headway whatever there. We are still defending Saigon and the Vietcong have reoccupied vital territory following periods when American youngsters made costly and bloody offensive sweeps at a cost of casualties in killed and wounded young Americans, of frightful magnitude exceeding a total of 125,000. Then when our forces withdrew, the VC moved in and took over again governing the area.

Historically, there never was a North Vietnam and a South Vietnam. The Geneva accords of 1954, which we agreed to and which brought to an end the French Indo-Chinese colonial empire stated:

The military demarcation line at the 17th parallel is provisional and should not in any way be considered as constituting a political or territorial boundary.

The Vietnamese defeated their French colonial oppressors. They ended their control of all Vietnam. Now we Americans are just as hated as were the French. That hate against us is even more evident in South Vietnam than in North Vietnam. Throughout Asiatic capitals and in Hanoi and throughout South Vietnam where the National Liberation Front, the political arm of the VC, controls more than two-thirds of the countryside and undoubtedly approximately two-thirds of the entire population, we are looked upon even more bitterly than the French colonial oppressors were regarded up to the time of the surrender of Dienbienphu on May 8, 1954. It was immediately following this capture of 12,000 men of the French Foreign Legion and some Moroccans that the French Government made peace and withdrew their army of 240,000.

We Americans are despised, hated and feared because we are destroying a people and their homes. We have sent our forces 10,000 miles to a small Asiatic country and have been fighting a war that is further away from solution than when we commenced the escalation and expansion of our involvement in 1965. Vietnam is not within our sphere of influence and is of no importance to the defense of the United States.

Just what has been changed in Vietnam in recent months except for our casualty figures which have become more stupendous and more frightening? The undeclared war we Americans are waging is the most unpopular war we have ever waged, exceeding in unpopularity that other unpopular war, the Mexican War of 1846. Unfortunately, but realistically, this terrible, immoral, murderous undeclared war in which the present administration has involved us in Vietnam is even worse than a war. It is genocide of the Vietnamese people. It is the kind of horrible intervention in a civil conflict in another nation that heads of state in some Asiatic capitals are claiming should be dealt with by war crime trials and by terming the United States as the aggressor and the defendant.

All thoughtful Americans should take to heart the statement made by our representatives in the peace talks in Paris which we hope against hope will lead to a cease-fire and armistice. It is quite remarkable and should be borne in mind by every American that the present impasse of the negotiations in Paris between our delegation headed by that great American, Averell Harriman, and representatives of North Vietnam is the refusal of the North Vietnamese delegates to admit they have 85,000 North Vietnamese troops fighting in South Vietnam. They deny that. Ambassador Harriman has produced verified documents tending to prove that 85,000 North Vietnamese soldiers are fighting in Vietnam. Remember that figure, only 85,000. That is the extent of our claim.

Here is incontrovertible evidence and clear and convincing proof that we have intervened in a civil war in Vietnam. We have 600,000 of the finest and best trained and most intelligent fighting men in the world including more than 50 percent of our entire airpower engaged in

the Vietnamese civil war. Yet, our records show and our maximum claim is that 85,000 North Vietnamese are fighting against us. Who, then, is our enemy? It stands out crystal clear that the South Vietnamese forces of the National Liberation Front, the VC, numbering some hundreds of thousands are the ones, who in 1956 resumed fighting for national liberation of their homeland following the time Diem, our puppet President of South Vietnam, called off the elections pledged in the Geneva Agreement of 1954 for a nationwide election throughout Vietnam, to be held in 1956. This is the pledged election that President Eisenhower in his memoirs stated that our CIA estimated that Ho Chi Minh would win and be elected President with 80 percent of the vote.

So in recent weeks we have suffered the highest casualties of the war trying to maintain in power the corrupt Saigon military regime. This regime in June 1965 overthrew the civilian government of Saigon. It was a midnight coup of 10 generals ousting civilian authority. Nine of those 10 generals were born in North Vietnam, as was the former Prime Minister, and present Vice President, Air Marshal Ky. Those nine generals and Ky fought on the side of the French colonial oppressors against the forces of the National Liberation Front, then called Vietminh. Let Secretary of State Dean Rusk explain to the American people how it is that 85,000 North Vietnamese soldiers, which we claim is the maximum number engaged in combat in South Vietnam, have fought to a stalemate our hundreds of thousands of combat troops.

Furthermore, when administration defenders such as State Secretary Rusk untruthfully claim we are in South Vietnam to repel aggression from the North, they disregard the only obvious conclusion which is that we are interfering in a civil war in South Vietnam. Just what claim can these administration defenders put forward regarding, for example, Mai Van Bo, who is the delegate general and Ambassador Plenipotentiary of the Hanoi government to France? French governmental officials from President de Gaulle down admire and respect him. Mai Van Bo is articulate and able. He was born and reared in the Mekong Delta, 150 miles south of Saigon. Surprisingly enough, this leading diplomat of Hanoi wrote the national anthem of South Vietnam. He is the confidant and close friend of Ho Chi Minh. Bo is the man who in October 1964 put out peace feelers in behalf of North Vietnam. These were rejected at the time by President Johnson. He again raised peace hopes last January when he said, "If the United States stops bombing North Vietnam, talks 'will' come." This, instead of using the word "would."

Mr. President, it is crystal clear that we are involved in a civil war in South Vietnam, a civil war in which we should never have become engaged in the first instance.

#### HOUSING AND URBAN DEVELOPMENT ACT OF 1968

The Senate resumed the consideration of the bill (S. 3497) to assist in the pro-



vision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development.

#### UNANIMOUS-CONSENT AGREEMENT

Mr. MANSFIELD. Mr. President, I ask unanimous consent that there be a time limitation on the pending bill, the time to be one hour on each amendment to be equally divided between the sponsor of the amendment and the manager of the bill, the distinguished Senator from Alabama [Mr. SPARKMAN], and that there be a time limitation of 4 hours on the bill, under the usual procedures.

Mr. President, in effect, this is the same proposal made yesterday. The objection made at that time has been removed.

The PRESIDING OFFICER. Is there objection?

Mr. TOWER. Mr. President, for purposes of clarification, is the time under the bill controlled by the Senator from Alabama and me?

Mr. MANSFIELD. The Senator is correct. I forgot to mention that. The time is to be under the control of the Senator from Alabama and the Senator from Texas, or by any Senator they may designate.

The PRESIDING OFFICER. Without objection, it is so ordered.

The unanimous-consent agreement, subsequently reduced to writing, is as follows:

*Ordered*, That during the further consideration of the bill (S. 3497) to assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development, debate on any amendment, motion, or appeal, except a motion to lay on the table, shall be limited to one hour, to be equally divided and controlled by the mover of any such amendment or motion and the Senator from Alabama [Mr. SPARKMAN]: *Provided*, That in the event the Senator from Alabama is in favor of any such amendment or motion, the time in opposition thereto shall be controlled by the Senator from Texas [Mr. TOWER] or some Senator designated by him: *Provided further*, That no amendment that is not germane to the provisions of the said bill shall be received.

*Ordered further*, That on the question of the final passage of the said bill debate shall be limited to four hours, to be equally divided and controlled, respectively, by the Senator from Alabama and the Senator from Texas: *Provided*, That the said Senators, or either of them, may, from the time under their control on the passage of the said bill, allot additional time to any Senator during the consideration of any amendment, motion, or appeal.

#### ORDER OF BUSINESS

Mr. TOWER. Mr. President, I ask unanimous consent that I may suggest the absence of a quorum without the time being charged to either side.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. TOWER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that I may proceed without the time being applied to either side.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### TRIBUTE TO PROF. DAVID R. MASON, OF THE UNIVERSITY OF MONTANA SCHOOL OF LAW

Mr. MANSFIELD. Mr. President, one of my closest friends and advisers, David R. Mason, Dixon professor of law at the University of Montana, is retiring this spring from active teaching duties.

Some lawyers achieve fame on the basis of their practice; other lawyers achieve fame of a sort by becoming Members of Congress; other lawyers become State court judges, district judges, circuit judges, and a few become Supreme Court justices. They are the ones who achieve the fame and the publicity, whereas those who teach are the ones who all too often are in the background and who all too often are not given the credit which is their due.

One such teacher is David R. Mason, who has been one of the real stalwarts in the University of Montana Law School, a law school which has been called the Harvard of the West, although, if, perhaps I may be parochial, I think on occasion Harvard could well be called the Montana of the East. We have turned out a remarkably good group of graduates from the law school. As a matter of fact, to the best of my knowledge, no Montana Law School graduate has ever failed the California bar examination, which I think is an indication of the excellence of their groundwork in law and explains the excellence of the teaching which was theirs while attending the law school at the University of Montana.

David Mason has earned many honors during his lifetime, but he is a retiring, modest man who does not seek the limelight and whose whole interest is in the law and the teaching of it.

It is with great regret that the State of Montana, and the Northwest in general, note the retirement of this outstanding teacher. To him we wish the best of everything in the years ahead. He has earned this retirement, and to David Mason and his wife, Helen, we extend our best wishes for a job well done and our hopes for a little relaxation and rest in the remainder of their years. It is our hope in Montana that they will come back to the campus often and that when the call for duty arises, as it has so often in the past, David Mason will be there to answer.

Mr. President, I ask unanimous consent to have printed in the RECORD articles from the Montana Law Forum, under date of May 1968, including a brief editorial entitled "Goodbye, Mr. Chips," a statement entitled "Pantzer Voices University Praise for David Mason," written by Robert T. Pantzer, president, University of Montana; an article entitled "Legal Careers," by William S. McGonagle; and an article entitled "David R.

Mason, Ave Atque Vale," written by Gardner Cromwell.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Montana Law Forum, May 1968]

#### GOODBYE, MR. CHIPS

The Montana Law Forum wishes to express its appreciation to a man who has personified legal education in Montana for more than two generations. What may be said about him has, perhaps, been better said by others throughout this issue of the Forum. As a token of esteem and gratitude, the Managing Board and Staff of the Forum dedicate to David R. Mason, Dixon Professor of Law, this Spring Issue of the Montana Law Forum. Let him represent an inspiration to all of us. For want of anything more appropriate . . . Thank you Professor Mason.

[From the Montana Law Forum, May 1968]

#### PANTZER VOICES UNIVERSITY PRAISE FOR DAVID MASON

(By Robert T. Pantzer, president, University of Montana)

On the occasion of the dedication of the 1968 spring issue of the Montana Law Forum in honor of Professor David R. Mason of the Montana School of Law, I am privileged to briefly remark upon his contribution to the University and the State of Montana.

This is the year of retirement from academic service to the University by Professor Mason. Having been one of his students in the School of Law prior to World War II and then again after that war, there is a certain nostalgia connected with my thoughts relating to this superb teacher. His former students are no doubt his greatest admirers. Since Professor Mason started his career at the University of Montana in 1927, his teaching of the students, along with his counsel and guidance of them, has obviously made an expressive impact on the legal profession in this state. Except for brief periods of time when he served with the Department of Justice and as a visiting professor of law at New York University, his time in the School of Law at the University of Montana has been continuous for about 40 years.

Along with his dedicated contribution as a teacher of law, David Mason has served the University of Montana and the state in a broad expanse of activity. He has worked diligently on meaningful committees of the American and Montana Bar Associations. He has been a driving force in the updating and reorganization of the statutory law in Montana as evidenced by his significant work on the Uniform Commercial Code in Montana and the Montana Rules of Civil Procedure. He has been a prolific writer on legal matters over the years while serving as a faculty member at the University. He has been of service to the legal profession in America by serving on important committees of the Association of American Law Schools.

Within the University itself, aside from his work in the School of Law, he has served as a member and frequently as chairman of most significant faculty committees. He has been Chairman of the Faculty Senate, of the Academic Standards Committee, and the Faculty Advancement Committee. In addition to this, he has worked meaningfully on a number of special committees at the University relating to its general progress and development.

Simply stated, it seems to me Professor David R. Mason has been one of the minute few to serve on a college faculty with such a high degree of distinction. He is known by his colleagues and his students as a scholar, a remarkable teacher, a man of recognized solid judgment, and a person completely loyal to his profession and to his school. Others may teach "his courses" and counsel students, but the University cannot expect to find another man of his unique quality



to serve on its faculty. David Mason will be sorely missed by his colleagues and his school. His contribution can never be forgotten.

[From the Montana Law Forum, May 1968]  
LEGAL CAREERS

(By William S. McGonagle)

It was in 1927 that David R. Mason, a young Harvard graduate accepted an offer to come to the University of Montana and teach law. In the forty-years that have followed he has imparted more than his profound knowledge of the fifteen subjects taught. He has left a legacy of excellence to those of us still in school and the nine-hundred fifty four lawyers, who have graduated since his arrival. If the present is at all indicative of the past, I am sure that there has not been one among that number to escape the scrutiny of his classroom queries, nor must have any failed to appreciate his contribution as legal mentor in their personal development as budding attorneys.

Professor Mason, a native of South Dakota, was a graduate of its state university, with A.B. (cum laude) and LL.B. (summa cum laude) degrees. He had received an S.J.D. degree from Harvard immediately prior to his appointment.

During his long tenure, he has compiled an impressive record as a teacher and as a leader in the vanguard of legal reform in Montana. Professor Mason instructed here continually until 1939, during which time he was elevated to a full professor in 1930, and from 1937 to 1939, he served as acting Dean.

For two years, he served as Special Assistant to the Attorney General in the U.S. Department of Justice and was involved in anti-trust cases, their investigation, preparation, and settlement. He again returned to work for the Justice Department in this same capacity from 1942 until 1943. For the duration of World War II, he served as Chief Trial Attorney of the War Division, and was involved in the handling of cases for the Alien Property Custodian. Following the war, Professor Mason returned to his position at the University of Montana, and has taught here since, with the exception of 1955-56 term when he was a visiting Professor of Law at the New York University. In 1960, David Mason was named the University's Dixon Professor of Law under an endowment fund established by Mrs. William Wirt Dixon, who died in 1916.

During his career, he has edited case books, and authored numerous feature articles in law reviews on Civil Procedure and the Uniform Commercial Code. Surely, every freshman student in recent years has become familiar with his publications in the field of Civil Procedure wherein we were abruptly apprised of the difference between trespass on the case and trespass quare clausum fregit, mandamus and supervisory control, and other matters which at the time seemed to be at the limit of our comprehension.

In large measure Professor Mason was responsible for the preparation and adoption of the Montana Rules of Civil Procedure modeled after the Federal Rules. He served as a member of the Montana Civil Rules Commission, preparing rules for Montana District Courts that became effective January 1, 1962. Later, he was Chairman of the advisory Committee on Rules of Civil Procedure to the Montana Supreme Court engaged in the preparation of Rules of Appellate Procedure that became effective on January 1, 1966. For his work in this area, David R. Mason was the first recipient of the Montana Bar Association Award in 1965 for "an outstanding contribution to the legal profession carried out or completed during the year."

A further recital of the numerous committees of the American Bar Association of which

he is either a member or chairman, of his many chairmanships of University Faculty Committees and those in public service would but serve to belabor the contributions of this outstanding American. However, it would be amiss if his 1966 appointment by President Lyndon Johnson to the twenty-six member National Council on the Humanities were not noted. David R. Mason is one of two law professors on the Council, which is composed of University Presidents and Professors, Foundation Directors, Writers, and Art Critics.

Now as this distinguished career nears its close, we can but hope that retirement will not end our association, for the Masons of this world are in short supply and the lives of so many of us have been enriched because of him.

[From the Montana Law Forum, May 1968]

DAVID R. MASON, AVE ATQUE VALE

(By Gardner Cromwell \*)

The president of another university once wrote that talking about oneself was like walking a tightrope. I think that writing an appreciation of a friend requires the same care, but the footnote provides a safety net. If I don't fall off, I shall have avoided mawkishness on the one hand and sterility on the other.

#### PROLOG

One of the many articles written about Mr. Justice Frankfurter took as one measure of his life the length of his biographical entry in Who's Who. A very real measure of David Mason's accomplishments is that he has educated 954 graduates of this School of Law, Scattered across this state and elsewhere in the nation and the world are almost 1,000 lawyers honed to some measure of sharpness by Prof. Mason's mind. That this school was once known as "The Little Harvard of the Northwest" is tribute in part to his passion for excellence.

I first came to the School of Law of Montana State University twenty years ago last Fall, after Ivy League undergraduate years and four as a WWII leatherneck. I still remember classes under Prof. Mason—and that is the precise preposition. United States District Judge W. D. Murray said at one Barristers' Ball banquet that either one learned to think like a lawyer in Prof. Mason's classes or there was no alternative. To David Mason, in common with almost 1,000 alumni, I owe awakening to the demands of truly analytical thinking and a deepening awareness of the call of professional and public duty.

If one looks at the Directory of Law Teachers published by the Association of American Law Schools (as does the "Careers" column elsewhere in this issue), one finds listed after the name of David R. Mason such badges of excellence as "Phi Beta Kappa," "A.B. (cum laude)," "LL.B. (summa cum laude)," and "S.J.D., Harvard." These were the marks of quality borne (as matter-of-factly then as now, one can be sure) by the new Associate Professor who came to this school in 1927. The computerized prose in the Directory goes on: "Prof., 1930-57; Acting Dean, 1937-39; Spec. Ass't. to Atty. Gen., U.S. Dept. Justice, 1939-40 and 1942-43; Chief Trial Atty., War. Div., U.S. Dept. Justice, 1944-45; Vis. Prof., N.Y.U., 1955-56; Dixon Prof., since 1957." There follows a list of seventeen subjects taught over the span of forty-one years.

#### PROFESSION

Someone has suggested that the past is prologue; if so, then the present depends on when is now. Prof. Mason has been present, as a most perceptive analyst and critic, dur-

\*This article has but one footnote; this is it. My credentials for this task are these: I have been student, colleague, and admirer of David Mason. I call him friend.

ing the greatest period of development of United States constitutional law. The Court which asserted its power under Chief Justice John Marshall has flowered in the second half of the twentieth century. And probably in the fourteen years since "the school segregation cases," it has blossomed most.

#### I. University

Those who were privileged to learn constitutional law at the hands of David Mason learned it. Scholar, analyst, liberal in the best sense of the word, he did not brainwash. Woe to any student who did not carefully analyze, who did not fit his case into the warp and woof of precedent. Each class was a demonstration of Prof. Mason's great ability to organize the results of careful analysis. I remember an afternoon soon after the recent spate of "obscenity" cases (Ginzburg, et al.) when I was still trying to figure out what the Court had decided. Prof. Mason had analyzed the fourteen opinions in the three decisions, carefully classified them, and had fit them into past pattern. But this, perhaps, merely emphasizes what is obvious to this group of readers.

David Mason's service did not stop at the law school door. It extended to his university, his state, and his nation. During forty-one years on this campus, he served on virtually every University committee of consequence, among them Curriculum, Academic Standards, and Budget and Policy. To each he brought those standards of precision and excellence which he practiced and demanded of others. And one term of service invariably resulted in requests to serve another.

The Chairman of the Budget and Policy Committee, the seat of faculty power, is the Chairman of the Faculty Senate. David Mason's tenure there was remarkable for orderly, complete, and timely dispatch of business. No member of the Senate (including the President of the University) had the temerity to commit lese majeste when Prof. Mason was in the chair. Meetings of the Faculty Senate were models of parliamentary order. His tenure as Chairman ended in April, 1966, when he declined to be a candidate for re-election. The opinion of many was expressed in a comment written by a Senate member who has considerable responsibility in University affairs: "Just a note to let you know how much I admired the magnificent job you did as Chairman of the Senate and of B.&P. I regretted your decision not to be re-elected."

The Senate Articles provide in part: "It is the purpose of these Articles to provide the means by which the faculty may exercise its prerogatives and further the welfare of the University in consultation and cooperation with the President." (Emphasis supplied.) In practice, the Budget and Policy Committee, particularly its Chairman, does the consulting with the President. That officer, during Prof. Mason's tenure, was Robert Johns. Those whose memories run back more than two years know that the President of the University and the Chairman of the Faculty Senate were strong personalities. After President Johns had assumed the presidency of another college in another state, he wrote Prof. Mason a personal letter. I have permission to quote therefrom, and I use this sentence: "The distinguished leadership which you gave the faculty and the genuine help which you provided for me are without equal in my experience in this business."

#### II. State

The fashionable student objection to "multiversity," to being a cog in an academic machine, to identification cards and numbers, has been uttered thus: "I am a human being. Do not fold, spindle, or mutilate." The computers which are partly to blame for this sense of alienation have been assigned, most recently, the task of translation. One story has it that the first English-Russian test went like this. English text: "The spirit is



willing, but the flesh is weak." Russian translation: "The vodka is okay, but the meat has spoiled."

Buried near the end of that computerized prose in the law teacher Directory is this legend: "Chairman, Adv. Com. on Rules of Civ. Proc. to Mont. Sup. Ct. Jud. Dept. since 1960." How does that translate? It translates into hard creative work from April, 1959, to date. It translates into new rules of civil procedure for the courts of the state. It translates into new rules of appellate procedure before the Supreme Court of Montana. It translates into hours of seminars across the state to help lawyers to adjust to new rules. (Of course, it translates into service gratis.)

And all of these endeavors translate into professional recognition by fellow professionals. (The law school catalog begins with a quotation from Chief Justice Charles Evans Hughes: "The highest reward that can come to a lawyer is the esteem of his professional brethren." In June 1965, his professional brethren, the Montana Bar Association, presented to David R. Mason its Award "for outstanding contribution to the legal profession." The report of the selection committee covered two pages. I quote but one paragraph:

"If the award were to be given for lifetime services this year's recipient would still qualify. For more than thirty years, David R. Mason has devoted his energies and abilities to the development and education of outstanding members of the Montana Bar Association."

On June 23, 1965, the Honorable Mike Mansfield, Majority Leader of the United States Senate, addressed his colleagues. He called the attention of the Senators to the Award, and then said, in part: "David Mason is one of Montana's most respected and patriotic citizens, a man of great integrity and courage. The award is most deserving, and I wish to add my name to the long list of friends who are extending congratulations to David Mason at this time." (111 Cong. Rec. 14025)

In June, 1967, the Montana Bar Association again demonstrated its regard for Prof. Mason, emphasizing this time his academic accomplishments. Gathered at a luncheon in his honor were lawyers and judges from all across the state. Those who participated in the ceremonies following luncheon represented the bar, the bench, and the academy. J. C. Garlington, Esq., senior partner of a Missoula firm, and former faculty member, presided. Speaking in Prof. Mason's honor were The Honorable W. D. Murray, United States District Judge, The Honorable James T. Harrison, Chief Justice of the Supreme Court of Montana, and Kendrick Smith, Esq., longtime member of a Butte firm, former faculty member and member of the House of Delegates of the American Bar Association. Dean Robert E. Sullivan paid tribute to Prof. Mason's dedication to excellence in legal education.

There is on David Mason's desk at home a pen set presented at that luncheon. It bears this inscription: "Dr. David R. Mason, Dixon Professor of Law, commemorating forty years as a member of the law faculty of the University of Montana, and his incalculable contributions to the legal profession and the State of Montana."

### III. Nation

In 1960, President Eisenhower's Commission on National Goals reported: "In the eyes of posterity, the success of the United States as a civilized society will be largely judged by the creative activities of its citizens in art, architecture, literature, music, and the sciences."

In 1965, President Johnson transmitted to the Congress a proposal for a National Foundation on the Arts and the Humanities with this message: "This Congress will consider many programs which will leave an enduring mark on American life. But it may

well be that passage of this legislation, modest as it is, will help secure for this Congress a sure and honored place in the story of the advance of our civilization." H.R. 6050, which embodied the President's proposal, had fifty cosponsors from both sides of the aisle. House Report No. 618 stated that the proposal resulted from long-standing recognition of the serious imbalance which existed between Federal support of the sciences and of "humanistic research and studies."

On Sept. 29, 1965, the proposal became law. It contains Congressional declaration of purpose that, inter alia, "a high civilization . . . must give full value and support to . . . man's scholarly and cultural activity" and "that democracy demands wisdom and vision in its citizens . . ." The National Foundation acts through a Chairman who has the advice of the National Council on the Humanities composed of 26 members appointed by the President. The law requires: "Such members shall be selected on the basis of distinguished service and scholarship or creativity and in a manner which will provide a comprehensive representation of the views of scholars and professional practitioners in the humanities and of the public throughout the United States."

President Johnson appointed David R. Mason to the National Council on the Humanities. He served as one of two lawyers (both teachers) representing the humanistic discipline called "jurisprudence." The Chairman of the National Foundation is Barnaby C. Keeney, former president of Brown University. When, recently, it became necessary for Prof. Mason to resign from the Council, Chairman Keeney responded: "I very much regret your resignation from the National Council on the Humanities, not only because of my great liking for you, but because I think you have been a most valuable member . . . Thank you for your service. . . ."

### PROGRESSION

This appreciation began with reference to David Mason's expertise in constitutional law. It will close with another such reference; the most recent effort is just beginning. With a colleague, Prof. Mason has published in the Montana Law Review a complete and practical proposal to modernize Montana's judicial system. Like other of his pioneering efforts, this one has stirred protest. But it has wide and thoughtful support. The merits of the "blueprint" will be argued long, but the public service cannot be denied. Neither can what one editorial aptly called a concern for "the quality of justice."

The very nature of the proposal guarantees that David Mason will be involved in service to his state long past the date of his retirement from this faculty. It calls for a constitutional amendment, for redistricting, for changes in rules of court. In all of these areas, David Mason shines. So the progression must be from day-to-day demands of academia to larger periods of time for thinking and planning.

The Latin title was chosen partly in recognition of Prof. Mason's Harvard training, but he should not be misled by the "farewell" into thinking that our dependence upon his wisdom has ended. I know that he has already declined two offers to continue teaching elsewhere. This demonstrates his determination to really retire from daily demands; it also leaves open the opportunity to make use of his many talents. We will do so.

### Afterword

It was once written about another great law teacher, who had also been lawyer and writer, that he guided his life by these words from the Torah: "The day is short and the task is great. It is not incumbent upon thee to complete the whole work, but neither art thou free to neglect it."

David Mason has never neglected "the whole work;" he has completed enough for several men. He has been scholar, exemplar,

taskmaster, true professional, public servant, and good friend. I shall miss him.

" . . . Thank you for your service."

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum, with the time not charged to either side.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

### COMMITTEE MEETING DURING SENATE SESSION

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the Subcommittee on Improvement of Judicial Machinery of the Committee of the Judiciary be authorized to meet during the session of the Senate today.

The PRESIDING OFFICER. Without objection, it is so ordered.

### HOUSING AND URBAN DEVELOPMENT ACT OF 1968

The Senate resumed the consideration of the bill (S. 3497) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development.

Mr. TOWER. Mr. President, I yield myself such time as is necessary.

The PRESIDING OFFICER. The Senator from Texas may proceed.

Mr. TOWER. Mr. President, under title VIII of the bill, the presently existing Federal National Mortgage Association—FNMA—would be divided into two separate instrumentalities. One of these would continue "secondary market" operations under the name of FNMA, and would be changed from Federal control to private ownership as contemplated by the 1954 FNMA Charter Act. The FNMA's "special assistance" and "management and liquidation" functions would be vested in a new federally owned corporation to be called the Government National Mortgage Association—GNMA—which will probably be known as "Jenniemae."

Section 806 of the bill would provide for an increase of \$500 million in "special assistance" authority to become available on July 1, 1969. My amendment would reduce this authority to \$250 million.

The new GNMA would use this authority, under the direction of the President, to continue purchases of mortgages underwritten by the Government which require special assistance.

Due to the lack of a market for section 221(d)(3) below-market interest-rate mortgages, this program has had to depend on the presently existing FNMA's purchase, and thus support, of these mortgages under this special assistance authority. It is expected that the new GNMA will use these additional funds for the same purpose.

I expressed my reservations concerning the 221(d)(3) program yesterday. I pointed out that this program's benefits



have gravitated toward middle-income families, not the lower-income families most in need of Government housing assistance.

Of course, the "special assistance" funds used to prop up this program come right out of the pockets of the American taxpayer. Thus, we have a situation where our country's great middle-income class is paying for part of the cost of housing certain of their financial equals.

This distorted concept in essence says that a man who is self-reliant and willing to house himself should not only pay his own rent, but he should be expected to pay part of the rent for a neighbor of similar financial means. Such a concept is insupportable in my estimation. Simply by referring to the family incomes eligible for the program's benefits, one can see how far afield the program has drifted.

In this same bill, there would be created a new program of Government assistance for sponsors of rental and cooperative housing for lower-income families. This new program is intended to replace the 221(d)(3) BMIR program. However, it will not be terminated if this new rental program is enacted into law.

We will, therefore, have two overlapping programs in existence at the same time. There always seems to be little inclination to end a program once it is enacted into law. It will remain to be seen whether the 221(d)(3) BMIR program is forced into retirement just because a new and paralleling program is created under this bill. I, for one, will believe it when I see it.

I certainly hope and urge that the new rental program's benefits are confined to families truly in need of assistance for decent housing. Since its income eligibility criteria is generally similar to that of 221(d)(3), this remains to be seen also.

There is authorization in the bill for \$300 million in spending authority for the implementation of the new rental subsidy program, over a 3-year period. This is intended to cover the rehabilitation and construction of about 700,000 units during this period of time.

However, the bill's \$500 million in additional special assistance authority for the continuation of the 221(d)(3) BMIR program is represented as necessary for a smooth changeover to the new program. I believe this is entirely too much spending authority for a program that is supposed to be on its way out.

Accordingly, my amendment would lower the special assistance figure from \$500 million to \$250 million. Since we are considering this bill's rental program as a new alternative to 221(d)(3), I feel that this lower spending figure would more accurately reflect that it is in fact intended to be an alternative.

Mr. President, in addition, in regard to sufficient leadtime, if it should be determined that we should restore some of the funds we are cutting, it could be done at a subsequent session of Congress without in any way impeding the operations under the section 221(d)(3) program.

Mr. SPARKMAN. Mr. President, I yield myself 5 minutes.

The PRESIDING OFFICER. The Senator from Alabama is recognized for 5 minutes.

Mr. SPARKMAN. Mr. President, I must admit that the Senator from Texas has correctly stated the situation.

We have a new program in the bill which is supposed to be, more or less, a substitute for the FHA section 221(d)(3) BMIR program. I refer to section 201 of the bill which establishes a new FHA section 236 rental housing program. But, in initiating any new program, there is always required considerable leadtime. We cannot begin a program all at once. We wrote in this \$500 million special assistance authorization for fiscal year 1970, in order to be sure that we would keep the section 221(d)(3) BMIR program moving until the section 236 program was properly funded and operating efficiently. That is the purpose of the \$500 million special assistance authorization.

Mr. TOWER. Certainly I agree that this must be done. Obviously, we cannot do it too rapidly.

Mr. SPARKMAN. I would be willing to accept the Senator's proposal with this understanding; namely, that we do, of course, want to continue the FHA section 221(d)(3) program and we want that program to have such funds, as may be necessary to continue until the new section 236 has taken over.

Mr. TOWER. I concur with the Senator from Alabama. It occurred to me that the \$250 million would be adequate for that purpose. If it appears that the leadtime is such that at next spring's session perhaps additional funds are needed, we could readdress ourselves to that problem.

Mr. SPARKMAN. With that understanding, I am glad to accept the Senator's amendment.

Mr. President, I yield back the remainder of my time.

Mr. TOWER. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Texas will state it.

Mr. TOWER. The yeas and nays have not been ordered on this amendment; is that correct?

The PRESIDING OFFICER. They have not been.

Mr. TOWER. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time has now been yielded back on the amendment. The question is on agreeing to the amendment of the Senator from Texas.

The amendment (No. 828), was agreed to.

Mr. TOWER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. Where is the time coming from?

Mr. TOWER. It is my understanding that there is no pending amendment at the moment—

The PRESIDING OFFICER. On the bill.

Mr. TOWER. Oh. We have got time on the bill. I ask unanimous consent that the time be charged to neither side.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas? The Chair hears none, and the clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. TOWER. Mr. President, I ask unanimous consent that the order for the quorum called be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### AMENDMENT NO. 827

Mr. TOWER. Mr. President, I send to the desk an amendment (No. 827) and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 287, after line 18, insert the following:

(d) Section 105 of such Act is amended by adding at the end thereof the following new subsection:

"(e) The Secretary shall from time to time submit reports to the Congress setting forth detailed information with respect to comprehensive city demonstration programs approved by him. Such information shall include—

"(1) an identification of each city which has submitted an approved program, and the agency charged with the responsibility for developing the plans for such program;

"(2) the amount granted for planning and technical assistance to each such city under sections 104 and 106, the amount actually expended by such city for planning and developing an approved program, and an analysis of the manner in which such expenditures were incurred by such city;

"(3) a description of the objectives which each such city seeks to accomplish under an approved program and of the actions proposed to be taken in carrying out such program; and

"(4) the amount of financial assistance under this section and section 106 which each such city will require to carry out an approved program, and the manner in which such assistance is proposed to be expended.

No contract to make a grant shall be entered into with, and no grant shall be made to, any city demonstration agency under this section for the purpose of administering or carrying out an approved comprehensive city demonstration program until the expiration of 30 days after the date on which a report containing the information required by this subsection with respect to such program has been submitted to the Congress."

Mr. TOWER. Mr. President, the model cities program, authorized by the Demonstration Cities and Metropolitan Development Act of 1966, is the Federal Government's newest and most heralded entry in the urban spending sweepstakes.

Never before has so much advance spending authority been concentrated upon such an unknown and untried entity as is the case of model cities.

Our Nation's cities and communities are being asked to embrace this program as the total solution to their every problem. The Federal Government's influence is henceforth to be injected into practically every aspect of local concern by one single mechanism—housing, jobs, welfare, education, disease, crime, recreation, transportation. The program empowers the Federal Government to pass judgment on every local decision as the price for participation.

In addition to the multitude of Federal programs that are available if needed,



the model cities program now induces our cities to use Federal assistance to get Federal assistance. Our cities are being enticed by the strong and sweet smell of money without seeming limit, available just for the asking. And the waiting line is understandably growing longer every day.

The planning phase of the program is now underway. Some 75 cities have received planning grants, and it is expected that approximately 70 more cities will be approved for these grants in the near future. From among these cities will be selected those to receive supplementary grants for actual model cities demonstration programs. This bill would authorize \$12 million for additional planning grants for fiscal 1969 and \$1 million for fiscal 1970 for demonstration grants.

Thus, our attention is focused upon the funding of an unknown entity. It is a bundle of theories and ideas into which our cities are invited to reach to solve their every problem. It is to be presupposed that our localities are incapable of overcoming their significant problem areas at the local level, where the basic responsibility for solutions lies, without Federal assistance.

When he proposed the model cities program, the President said that "the success of each demonstration will depend on the quality of its planning." The Secretary of Housing and Urban Development has said that in deciding between the model cities applicants, "We will be searching for signals from the communities that they have looked long and hard at themselves, that they have discovered solutions that are not the same old stuff, and that they have the capacity for doing what they say they want to do."

I submit that this is about the only specific criteria that has been advanced by the proponents of this program to date, and ask whether it is not incumbent upon the Congress to itself also inquire into the quality of the proposed plans, and ourselves search for signals from the communities that they have looked long and hard at themselves before we are called upon to sign a blank check in urban experimentation.

It certainly is not unreasonable for the Congress to ask that it be shown what is contemplated by these proposed urban experiments. Only then should it fill in its signature on a check to demonstrate these plans within clearly defined guidelines and criteria. This is far more prudent than signing a check to be filled in as to amount later. And after all, this is the situation the Congress is in, for the ultimate costs of this program are unknown at this time.

We should not proceed in such haste that we refuse to recognize that only when full and detailed plans are available for close scrutiny can we make an objective and well thought out decision as to the merit and potential of the program. In my opinion, we would not be unsympathetic to the plight of many of our cities if we refused to buy unknown results on a sight-unseen basis.

How can we otherwise know with any certainty what the ultimate cost of this program will be if we do not require

some dollar and cents experience before unleashing the program upon our cities? Only then will we know if there is even the remotest chance that expenditures under this program can ever be afforded by our Government.

I feel that we must scrutinize closely those proposals that would promise an almost magical solution of our urban problems. I do not believe we can legislatively create a magic wand.

I stand ready to give favorable consideration to those proposals which can be shown to be realistic and workable.

But they must be framed within guidelines and criteria compatible with the economic facts of life confronting this country. They must show a recognition that local problems should be dealt with and controlled on a local basis to every degree possible.

I have heretofore said that we should plan now and pay later. We can continue planning while we proceed into a reasonably contained on-the-ground demonstration of some of the proposed model cities plans and utilize these initial projects as a foundation for future program activities after the program has demonstrated to our satisfaction whether it can deliver as promised. A good set of blueprints is the very least we should demand of the program. This would be both prudent and businesslike, and that is how we should approach this program.

Mr. President, I had contemplated introducing amendments considerably more sweeping in scope than the one I have sent to the desk, which simply cuts the funding in half. I believe this program is visionary and unproven, and that we should cut the funds to even less for planning grants. I think what we propose to do is, in effect, buy a pig in a poke with this program.

As I say, I had proposed to offer amendments more sweeping in scope, but I realize the facts of life. They are that, faced with concern over the cities, Members of this body would face with trepidation at this time doing something that might be deleterious to our efforts to resolve the problems of our urban areas. Therefore, I am simply offering to cut the funding in half, until we gain some experience before we allow such substantial funding.

Mr. SPARKMAN. Mr. President, I yield myself 5 minutes.

I rise in opposition to the amendment. The model cities program was enacted into law year before last, in 1966. It has gotten off to a very good start. Proper planning was required before any approval was given. Now it is moving right along. I do not believe we ought to do anything that might threaten the program, and I feel this amendment would do just that.

Therefore, I oppose the amendment, and hope it will be voted down.

Mr. TOWER. Mr. President, I am prepared to yield back the balance of my time.

Mr. SPARKMAN. Mr. President, I yield back the balance of my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Texas.

The amendment was rejected.

Mr. SPARKMAN. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. BYRD of West Virginia. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

#### MODEL CITIES AUTHORIZATION

Mr. PASTORE. Mr. President, I wish to talk a little about a billion dollars. I have, as a member of the Appropriations Committee of the Senate, a great respect for a billion dollars we are going to ask the Government to spend—but I have also a great respect for the ideals of our Government and its duty to promote the dignity and decency of the housing for its citizens.

For the particular billion dollars I have in mind is the authorization for model cities contained in S. 3497 now before this Senate for consideration.

I would like to think about the billion dollars in its proper dimensions—divided into the programs it will activate—and I would like to review how we came to make the decision as to numbers—the number of dollars and the number of cities to benefit from our investment.

In other words, I feel that a little historical background will help us all to understand much better the billion dollar authorization we have in mind—an authorization that I strongly urge.

In 1966 when President Johnson first proposed the model cities program it was projected first, as a 5-year program; second, it was to involve 70 cities; and, third, it was to require \$2.3 billion.

Two significant changes in this proposal were made by the Congress: First, it authorized the program for 2 years rather than 5, but Congress approved the projected level of spending by authorizing \$400 and \$500 million for fiscal years 1968 and 1969 respectively; and, second, upon initiative of the Senate, provision was made for a second group of about 70 cities to participate.

The \$1 billion model cities authorization contained in S. 3497 is simply the cost of two groups or rounds of cities—and this for a single year.

A 2-year authorization had been requested by the administration. But the Banking and Currency Committee—just as it did with the original 5-year proposal—cut back the duration of the authorization. However, it did not affect the scope of the program.

This scope is the decision of the Congress and the Senate in particular. It is our decision to double the number of cities permitted to take part in the program. Surely we cannot have in mind to penalize either the first or second round of cities. Certainly, we must authorize the funding of the program at a level to match our sincerity.

The 1-year authorization provided for in this bill represents a cautious approach. By next year we can assess what the program is doing—what it has accomplished. We will have that experience before we authorize additional portions of the 5-year total.

Mr. President, the model cities program is already well underway. I am



informed that 75 cities which have been selected for planning grants are now in various stages of planning. They will complete their comprehensive model cities plans this summer, fall and winter. Upon successful completion of their plans they are immediately eligible for program grants to go into their first action-year. These grants to the 75 first-round cities for their first action-year will come from \$200 million already appropriated plus \$200 to \$300 million from fiscal year 1969 appropriations which have passed the House and are currently the subject of committee hearings in this body.

Now, in addition to this first round of 75 cities there are 164 cities which have made applications for inclusion in the second round. From these 164 applicants another 75 or so will be selected and announced sometime this summer. This second 75 will immediately go into planning and be ready for program grants next spring and summer. The balance of the fiscal year 1969 model cities appropriation will be used to get some of them started on their first action-year.

I have gone into this in much detail, Mr. President, in order to underscore one central point: When fiscal year 1970 arrives—the year to which this authorization applies—there will be 150 cities eligible for model cities program grants. A billion dollars sounds like a lot of money—and is—but divide it 150 ways and suddenly it appears meager beside the kinds of problems our cities are facing.

Keep in mind that the 150 cities in the program will include nearly every major city in the Nation. The Department of Housing and Urban Development has made a study of the first 63 cities selected for the program and has determined that their grant entitlement based on the statutory formula of a grant level of 80 percent of the non-Federal contribution totals over \$1 billion. Certainly by the time the base entitlement of 87 more cities is added to this total will be well over \$1½ billion. So there is no question but what the \$1 billion figure authorized in this bill is well within the statutory limit of the program.

There is no question of the need.

In the model neighborhoods of the 75 cities already selected for planning, there are over 3.5 million persons.

Nearly one-third of all the families have income of less than \$3,000 each year.

About 30 percent of model neighborhood families are in substandard housing now, and many more are living in deteriorating structures.

While the national average for unemployment is now about 3.5 percent, over 10 percent of the potential work force in model neighborhoods is unemployed.

And their situation is made more desperate by the fact that over 40 percent of all persons over 25 in these neighborhoods have less than an eighth grade education.

Now I am not contending, Mr. President, that \$1 billion distributed among 150 cities is going to cure all these conditions. But I do contend that this is a very important \$1 billion toward that end. This is money without which other

things will not happen and other funds will not be forthcoming. This money will serve as both cement and catalyst. This is the cement that will bind together the numerous parts of a complex comprehensive attack on urban ills. This is the cement that will fill in the gaps between existing categorical grant programs. This is the catalyst which will stimulate much larger amounts of Federal, State, local, and private funds.

The President has stated that model cities program funds will generate up to 10 times their value in funds to attack physical, social, economic, and educational conditions in the blighted neighborhoods of our towns and cities. Even that grand total is modest when compared with the seriousness of the problems, but it certainly places in proper perspective the absolute crucial need for this authorization.

It is time for us to honor the commitment which we made to the cities when we enacted the model cities legislation. It is time for the Senate to honor its commitment to that second group of 75 cities which will be additional participants in the program due to our insistence. These cities are watching us today. They have every right to expect us to respond in good faith.

Mr. President, I recommend that the Senate strongly resist all attempts to reduce the \$1 billion authorization for model cities program grants for fiscal year 1970.

#### THE BUREAU OF THE BUDGET ANALYSIS OF SECTION 204 OF THE DEMONSTRATION CITIES AND METROPOLITAN DEVELOPMENT ACT OF 1966

Mr. MUSKIE. Mr. President, section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 provides that all applications for Federal assistance for certain physical development projects be accomplished by the comments of an areawide planning agency.

Since its enactment section 204 has been the subject of widespread controversy and criticism which led to the so-called Cramer amendment to the Independent Offices Appropriations Act last year. The Cramer amendment prohibited the Department of Housing and Urban Development from spending any money to implement section 204.

As a result of this amendment the Bureau of the Budget assumed responsibility for implementing section 204. On April 2, 1968, the Bureau issued an analysis of its experience with section 204. This analysis was developed from reports of the agencies administering programs covered by section 204 and reports of areawide agencies.

Mr. President, I commend the Bureau of the Budget for its effective and successful handling of section 204. I am encouraged to learn that this review process is stimulating rational and comprehensive areawide planning throughout the country. It is my hope that the Senate will act to delete the Cramer amendment this year and will insist on this position on conference.

I ask unanimous consent to have the Bureau of the Budget analysis, "Section 204: The First 6 Months" reprinted in the RECORD at this point in the hope

that it will counteract the misinformation which has been spread about the program.

There being no objection, the analysis was ordered to be printed in the RECORD, as follows:

#### SECTION 204—THE FIRST 6 MONTHS

##### 1. BACKGROUND

Section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 provided that after June 30, 1967 all applications for Federal assistance to certain types of public works activities<sup>1</sup> in metropolitan areas would have to be accompanied by the comments of an areawide planning agency respecting the relationship of a proposed project to the comprehensively planned development of the area. Pursuant to Section 204, Bureau of the Budget Circular No. A-82, providing guidelines for the application of the requirement, was issued April 11, 1967.

The Circular assigned to the Department of Housing and Urban Development responsibility for general administrative oversight of the requirement. This involved identification of the areawide agency in each metropolitan area, making any modification or extensions to Standard Metropolitan Statistical Areas for the purposes of Section 204, and evaluating the application of the requirement. A rider on the HUD 1968 appropriations act (the so-called "Cramer amendment") prohibited HUD from spending administrative funds for such purposes. Consequently, the Bureau of the Budget assumed the oversight function and issued a revised Circular No. A-82 December 18, 1967.

In the revised Circular, agencies were asked to report on the volume of projects handled under 204, their disposition, problems encountered, and general evaluation. In sending out the revised Circular to the areawide agencies, the Bureau requested that they supply parallel information.

##### 2. AGENCY REPORTS

The volume of activity reported was highly variable among the eight agencies having programs covered by Section 204. This appears to have been for several reasons:

a. Appropriations for a great many of the covered programs were not enacted until late 1967. Therefore, there was, in many cases, a heavy run of applications before the effective date of Section 204 (July 1) with a slowdown until money again became available.

b. The Cramer amendment to the HUD appropriations bill, introduced in June, prior to the effective date of the requirement, sowed considerable confusion everywhere as to whether the requirement was, in fact, in effect.

c. For programs where review by comprehensive metropolitan planning agencies was already required by statute or administratively, the new requirement posed no problem. Apparently, for agencies without this experience, it has been a problem to get administratively geared up to it, a problem very much exacerbated by the confusion attendant upon the Cramer amendment. Agency field people in particular were under the impression that the effect of the Cramer amendment was to kill the Section 204 requirement.

Nevertheless, reports were received from six agencies covering some 22 programs for 1,342 projects. Partly because of reasons stated above and partly because of internal organizational changes, HEW is unable to supply information respecting its programs which were covered by the requirement. Insofar as it was possible to break down proj-

<sup>1</sup> Covered are: open space, hospitals, airports, water and sewer, waste disposal, highways, other transportation land and water conservation projects and related planning. Over 30 Federal grant and loan programs are covered in whole or in part.



ects by function, it appears that 30% were for water, sewer, or waste treatment facilities projects; 22% were for highway projects; 19% were for open space and recreation projects; 10% were for urban planning projects; 9% were for airport projects; 7% were for public works planning projects (some of which would be for projects of the types listed above) 13% were scattered among mass transit, land and water conservation and development, and public facility loan projects (some of which would include projects of the types listed above).

Broken down by agency—

HUD programs accounted for 47% of the 1342 projects reported;

DOT programs accounted for 31% of the 1342 projects reported;

Interior programs accounted for 17% of the 1342 projects reported;

USDA programs accounted for 4% of the 1342 projects reported.

The remaining one percent were distributed between EDA and DOD each of which has only one covered program.

Of this array of 1342 projects which were submitted to areawide agencies for review, only 47 were transmitted to the Federal agency bearing critical comments. The vast majority of critical comments, as might be expected, were made in connection with water and sewer (17) and highway (15) projects. Of these projects 33 were modified pursuant to the critical comments; only two applications were approved despite the criticism. Action on the remaining 12 was pending at the time reports were submitted.

### 3. FEDERAL AGENCY EXPERIENCE

The reaction of Federal agencies to the Section 204 requirements was that it presents no particular or major problem and, in many cases, is quite useful. The metropolitan planning agencies established only recently, in response to the requirement, are generally not at a point in developing a planning competence where their comments are more than perfunctory or superficial. At least, however, they have not occasioned delay or disruption of project development. Established areawide agencies that have a developed competence have been, according to Federal agency reports, positively useful and constructive in the quality of their comments. State agencies designated by Governors to perform review functions in areas where there were no areawide agencies appear not to have been able to comment constructively, as a general rule.

Such problems as were reported by Federal agencies centered about uncertainties as to the extent of coverage of the requirement—particularly as to what is a "project" within the meaning of Section 204. For instance, FAA reports that it was necessary to limit applications submitted for review to new airports, new runways or extensions to runways in order that projects having no external impact not be subjected to unnecessary redtape. FAA did not specify what was meant by the latter, but we may surmise that "projects" such as runway resurfacing, terminal rehabilitation, etc. might fall into this category.

The Bureau has noted that the regulations promulgated by agencies for such of their programs as are covered by Section 204 have frequently not clearly identified what kinds of projects are or are not covered. In the case of some programs, quite clearly whole classes of projects would not be covered. For instance, the HUD public facility loan program may provide assistance for nearly all of the type projects specified under 204: airports, hospitals, water and sewer facilities, etc. However, PFL loans may be made for court houses, fire stations, public markets and similar public works which are not subject to Section 204 review. In other programs, the problem is one of degree, as in the FAA example. It would be useful, then, if agencies would differentiate insofar as possible be-

tween activities which do or do not fall within the scope of the 204 requirement.

Several agencies noted that the 204 review process was facilitated and productive to the extent that applicants made contact and consulted with the areawide agency very early in the project planning or application preparation stage. Some areawide agencies have encouraged applicants to develop plans and programs covering series of projects. If the plans and programs are favorably reviewed, projects developed pursuant to them can then be "approved" (i.e., favorably reviewed) with little or no further study.

In sum, agency experience with the Section 204 requirement is mixed. At worst, however, it presents little problem; at best, it can prevent costly mistakes or suggest project improvements. There is still some confusion, but agencies familiar with the review process see substantial actual or potential benefits to program administration.

### 4. REPORTS OF AREAWIDE AGENCIES

As noted above, areawide agencies were requested to supply similar information on their experience with the Section 204 requirement. Of the approximately 200 areawide agencies covering the 231 (now 233) standards metropolitan statistical areas (SMSA's), 73 (covering 98 SMSA's) responded to the Bureau request. They reported receiving 1020 projects for review.

When it is realized that the 73 areawide agencies covered 9 of the 10 largest SMSA's and 18 of the 28 SMSA's with over 1,000,000 people, and included two-thirds of the metropolitan population of the country, it is apparent that implementation of the Section 204 requirement was even less thorough than indicated by the Federal agency reports. Of the 73 agencies: 7 reported that no applications had been submitted to them for review; 14 reported 1 or 2 applications; 8 reported 3 to 5; 18 reported 6 to 10; 11 reported 11 to 20; 3 reported 21 to 30; 12 reported over 30.

We can only speculate on the experience of the remaining areawide agencies (roughly 125 in number, covering about the same number of SMSA's). However, if the average number of applications submitted for review (of a total of 1020 reported) to those reporting was about 14, and Federal agencies report a total of 1342, this would leave the 100 odd agencies not reporting with an average of barely 2.5 projects submitted for review. Since such large metropolitan areas as Philadelphia, Cleveland, Houston, Cincinnati, Minneapolis-St. Paul, Atlanta, *et al.*, were among those not reporting we can assume a large number of these 125 had nothing to report.

The projects reported break down by function not too consistently with that reported by Federal agencies—of the 920 projects specified by function, 211 or 23% were water, sewer, or waste treatment projects; 241 or 26% were highway projects; 242 or 26% were open space or outdoor recreation projects; 126 or 14% were miscellaneous urban or public works planning facilities projects; 58 or 6% were airport projects.

The remaining 5% was distributed among hospital, mass transit, library, and land and water conservation projects. As reported, an agency breakdown is not possible.

### 5. AREAWIDE AGENCY EVALUATION

Generally, respondent areawide agencies reported that the Section 204 requirement has stimulated considerable interest in inter-local cooperation and has facilitated coordination of metropolitan planning. Agencies appear to have tried not to be obstructive and have often presented their review function as a service to applicants for Federal assistance. Of the 1020 applications reported as being submitted for review, only 38 were returned with critical comments. However, where pre-application consultation occurred, adjustments frequently were made by the prospective applicant, which averted adverse comment by the areawide agency.

That the requirement has stimulated metropolitan planning cannot be gainsaid. When HUD surveyed the field to identify qualified areawide agencies prior to the effective date of the requirement, they could discover no qualified agency in 62 SMSA's.<sup>2</sup> Today there are only 27 SMSA's in which there is no locally established areawide agency and areawide review is conducted by agencies (usually State planning agencies) designated by the Governors. In several other areas, establishment of an areawide agency is expected momentarily. The problem in 7 of the remaining areas is exacerbated because they lie in more than one State, making the creation of an areawide agency more complicated.

There are a number of areawide agencies (25) that do not cover the whole of an SMSA; and about the same number which include adjoining areas which are not part of the SMSA. Fourteen areas include more than one SMSA, the New York-New Jersey-Connecticut Tri-State area covering 10 SMSA's, the San Francisco Bay area 4, and the Los Angeles, Southeastern Wisconsin, and Cleveland areas 3 each. In total, 182 areawide agencies cover all or a part of 203 SMSA's.

### 6. PROBLEMS REPORTED BY AREAWIDE AGENCIES

Problems, actual and potential, cited variously by the areawide agencies fall under the following headings:

#### (a) Costs of review

Except for some of the larger areas, this has been more a potential than an actual problem. However, to do a competent review of a complicated project may take several man-days. At present, the HUD 701 program recognizes this as a legitimate cost of comprehensive planning and provides a pro-rata share of that cost. As volume increases, there will be a growing demand on 701 funds. Perhaps other broadly gauged planning assistance programs (BPR comprehensive urban transportation planning, PHS comprehensive areawide health planning) could adopt a policy similar to HUD's, covering their appropriate areas of concern, to relieve some of the drain on 701.

#### (b) Awareness of requirement

While many areawide agencies try hard to publicize the requirement, not all Federal agencies have been active in creating awareness of it among their clienteles or, in fact, in assuring its implementation. An associated shortcoming is lack of clarity in various Federal agency procedures as to what needs to be submitted—i.e., what types of projects and appropriate data and information. This causes delays in review as areawide agencies seek further necessary information.

#### (c) Timing

Ideally—and there are few obstacles in the way of achieving this ideal—an applicant should consult with the areawide agency at an early stage in project planning, so that by the time the application is ready for submission to the Federal agency, areawide agency review is, in effect, a *fait accompli*. However, when the areawide agency is presented with a fully prepared application on a project about which it has no foreknowledge, the applicant—and often the Federal agency—has a deep commitment and will resist suggestions, however well reasoned and constructive, that involve making changes in the project.

#### (d) Feedback

The areawide agency, once having made its comments, frequently has no way of knowing what action has been taken by the Federal agency on the project. However, since a project having been noted as having a regional significance will affect the status of regional planning and development, it is important that the areawide agency be promptly ap-

<sup>2</sup> Excluding Puerto Rico's 3 SMSA's. All planning in Puerto Rico is carried on by a single planning agency.



prised of the disposition of the application—particularly when its comments have suggested modifications in the proposed project. Some HUD regional offices have developed procedures for keeping the areawide agencies so informed, but this does not appear to be a general practice.

(e) *Planning progress*

A number of areawide agencies ascribed a major problem to their own lack of capability for adequately evaluating proposed projects. This is generally the case where the agency and/or its planning program is relatively new and undeveloped. However, this is a problem that will be corrected over time, given availability of planning assistance funds.

7. OTHER PROBLEMS

A problem that may become increasingly evident—at least in some program areas—has to do with the geographic size of the area covered. In some western areas the SMSA includes vast areas well beyond the reach of foreseeable urbanization around the metropolitan center. Because Section 204 is aimed basically at trying to secure orderly growth and development around the metropolitan center, it has been suggested to areawide agencies that they might want to delimit the area within which they will review projects to that encompassing the projected “foreseeable” (20 year) growth. This would permit them to husband their own review resources and save substantial redtape for Federal and State agencies. The inclination of the areawide agencies has been to reject the suggestion. However, recognizing the problem, some at least have proposed that either proposed systems or annual programs be reviewed rather than individual projects. In this way, an applicant would need only notify the areawide agency that a project which was part of an approved system or program was being undertaken. This appears to provide a partial solution.

Nevertheless, the tendency of many areawide agencies is to increase their geographic scope of coverage. While the Bureau has not permitted Section 204 to be used to blackjack jurisdictions outside of SMSA's to become members of areawide agencies, generally it has agreed to broaden the definition of a metropolitan area to include jurisdictions who are or wish to become members and who are willing to have their projects reviewed under Section 204. This extension, however, presents problems—so far only apparent in connection with highways—where a program involves numerous small projects outside of the urbanizing area.

Finally, with the increasing regionalization of States by Governors for planning and administrative purposes, we may expect to find SMSA's encompassed within larger State regions. At this point Bureau Circular No. A-82 may find itself in an awkward confrontation with Bureau Circular No. A-80 which provides that planning and development areas designated under Federal programs be coterminous, unless there is very good reason otherwise, with State established areas.

In a related problem area, there was some negative reaction from areawide agencies when certain planning assistance programs were dropped from coverage under the revised Circular No. A-82. These were rather broad planning programs, generally not leading—at least directly—to the construction of specific public works projects. It was pointed out that it was applications for planning assistance, not plans, that were being reviewed and, as such, offered little, if anything, of substantive relevance to the purposes of Section 204 upon which comment might be made. Attention of areawide agencies has been directed to Bureau Circular No. A-80 which is directly concerned with coordination of planning processes and activities—as opposed A-82 and Section 204 that

are concerned basically with the coordination of specific public works projects with areawide development planning. A-80 represents a useful adjunct to A-82, but the Federal agencies need to be pushed to issue procedures to implement it for a broader range of programs than are now covered in agency program procedures.

8. SUMMARY AND RECOMMENDATIONS

Generally speaking, the Section 204 requirement has been implemented with fewer problems than might have been expected, considering (1) the limited time between the passage of the Demonstration Cities and Metropolitan Development Act of 1966 (11/3/66) and the effective date (7/1/67); (2) the confusion caused by the “Cramer amendment”; (3) the unfamiliarity of the metropolitan review process; (4) the large number of SMSA's with no areawide agency. Some Federal programs are now only getting geared up to implement the requirement, and for some few metropolitan areas, implementation by the areawide agency is nominal at best. Yet the requirement now has become widely known and, by and large, accepted as a fact of life in most metropolitan areas, and 1968 should see its further institutionalization.

The following recommendations will help to speed and regularize this process:

(a) Federal agencies should examine closely those programs covered by Section 204 and identify as closely as possible.

(1) Classes of projects which are and are not covered (e.g., public works under the HUD PFL program or Title II of the EDA basic legislation may or may not fall under the classifications listed under Section 204(a)); and

(2) under classes of projects, types of projects which should or should not be required to be reviewed. (These might include research and technical studies, training, data-gathering, and other projects which do not involve actual construction. Or, where construction is involved, those component projects of a covered public works project which do not affect the regional impact of the facility—engineering or design details, materials specifications, repair and maintenance projects—should not have to come under review.)

(b) Federal agencies should publicize the Section 204 requirement among their clienteles.

(c) Federal agencies should urge their clienteles whose applications will be reviewed under Section 204 to consult with areawide agencies as early as possible in the project planning and application preparation process.

(d) Federal agencies should develop procedures for informing areawide agencies of actions taken on applications pursuant to areawide agency review—particularly on projects on which the areawide agency has commented adversely or suggested modifications.

(e) Areawide agencies should develop procedures—

(1) for pre-identifying projects which because of distance from or geographic relationship to the urbanizing metropolitan center are likely to have little, if any, impact on orderly urban development, and

(2) for expediting review of projects within the urban area which because of scale, location, or type have little or no regional significance. With respect to projects outside of the urbanizing area significant geographic relationships may be variable. For instance, major waste disposal facilities at considerable distance from the urbanizing area may be critical for the orderly development of that area; rural or small town water supply projects at the same distance may not. Procedures for notification of projects outside of certain perimeters with option to call for review of such projects where potential impact may be suspected might serve to lighten the burden of review on areawide agency and applicants alike.

STATUS OF AREAWIDE PLANNING AGENCIES UNDER SECTION 204 OF THE DEMONSTRATION CITIES AND METROPOLITAN DEVELOPMENT ACT OF 1966, APRIL 15, 1968

Excluding the three metropolitan areas of Puerto Rico for which planning is done by the Puerto Rico Planning Board which does all planning for the island:

There are 230 SMSA's, 26 of which extend into two States and 4 of which extend into three.

There are 202 metropolitan areas for which reviews are made under Section 204 of which 36 cover less than a SMSA; 152 cover at least one but less than two SMSA's; 9 cover at least two but less than three SMSA's; 3 cover at least three but less than four SMSA's; 1 covers 4 SMSA's (Los Angeles Areas; and 1 covers 10 SMSA's (New York Tri-State Area). 9 of these areas extend into two States and 7 into three States.

There are 206 areawide agencies, 11 of which extend into two States and 5 of which extend into three.

27 SMSA's, lying wholly or in part in 19 States, have no locally established areawide agencies and Section 204 review is performed by agencies designated by the Governor (or Governors) of the States (or States) in which they lie. Of these 5 are two-State areas and 2 are three-State areas.

PORTLAND, MAINE, ADMINISTRATOR VIEWS MODEL CITIES

Mr. MUSKIE. Mr. President, earlier this year Robert F. Hawkins, administrator of the Portland, Maine, model cities program, delivered a fine speech before the Institute on Changing Concepts in Social Welfare at the University of Maine. Entitled: “Model Cities: An Overview and Some Issues,” this speech highlights the issues and innovations of the model cities program from the local point of view.

Because Mr. Hawkins presents an unusually comprehensive review of the model cities program, which has relevance beyond Portland, I ask unanimous consent to have his speech reprinted in the RECORD at this point.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

MODEL CITIES: AN OVERVIEW AND SOME ISSUES  
(Address by Robert R. Hawkins, Model Cities Program Administrator, Institute on Changing Concepts in Social Welfare, University of Maine in Portland, Luther Bonney Hall, February 17, 1968, Sponsored by Child and Family Services, United Community Services, University of Maine in Portland, Diocesan Bureau of Human Relations Services, State of Maine, Department of Health and Welfare)

Ladies and Gentlemen: Let me say, first of all, that in looking towards the Model Cities Program and the task we have ahead of us, I am very grateful to the sponsors of this Institute and to its Planning Committee for their agreeing to use Model Cities as a point of discussion in talking about changing concepts of social welfare. This dialogue is very important to our work in Portland, Maine.

Let me say secondly that I can't stand here before you today and tell you what Model Cities is going to do for Portland, Maine, how it's going to succeed or even if it will succeed; but I can share Professor Steinman's remark before lunch, that we have a great deal to hope for in the Model Cities Program. I base my hope on what I see happening in the Model Cities Program; how I see in it a *changed way of doing business*—trying to learn from past mistakes in urban programs.

Now let me take some time to give you a feeling for the Model Cities Program in concept and some of these changes which underlie its approach to the problems in Port-



land, Maine and in other cities in the United States. I would talk first of all about the *changes in program strategy* or program approach. I think the first and most important one is the fact that in Model Cities we are going to try to achieve a *systematic consideration of all of the conditions* affecting the people of our model neighborhood, we are calling Portland West. We are going to use the systems analysis techniques and type of thinking that have been developed in recent years in private industry. Each of you received with the announcement of this Institute a flow chart that the Arthur D. Little Co. prepared. That flow chart depicted the system which exists in our slum neighborhoods including Portland West. If we're going to do something about changing that system we've got to develop an equally systematic approach.

This approach is significantly in contrast with previous programs which have been federally aided and which have approached individual problems and worked on a project basis with separate administration and separate funding. We found that these did not succeed. You can't isolate a single problem, attack it, and go away thinking that you've done your job. We're finding with such popular programs as Head Start and with such relatively large programs as Public Housing that the individual good which each program might have achieved is quickly overcome and overwhelmed by the other environmental conditions in our problem neighborhoods.

I think the other thing we realize when we look at all of these conditions as a system is that it is a very stable type of problem. A problem which isn't going to go away if we ignore it. I think that is one of the reasons why the Model Cities Program was developed. Now let me take one minute to list for you the problems we have identified in Portland West. They are really quite obvious and the listing is not terribly innovative. These are what we found in our application to the federal government last spring:

First, *insufficient and inadequate housing*. We indicated, for instance, that the housing supply in Portland West has been dwindling for the past twenty years and that even so, today 27% of the occupied housing is substandard.

The second problem identified was *low family and personal income*. We noted, for instance, that 18% of the people in the city of Portland live in poverty by the Office of Economic Opportunity standards and this is caused in many ways by problems of inadequate support, problems of inadequate employment or underemployment.

We identify thirdly, the problem of *insufficient educational opportunities*. We noted that 16.3% of the adults of Portland West have less than an eighth grade education.

We noted that there is a *limited scope of health services* as our fourth major problem. Two of the statistics were that the tuberculosis rate and the infant mortality rate were twice the city average.

And the fifth general problem we identified was the *limited scope of general social services* in our neighborhood resulting in many problems but one in particular was the 1000 juvenile crimes committed in our city each year.

Well those are the broad labels we have put on the problem categories and we could spend an entire day discussing the scope of the problems and the many interrelationships between the failures of different parts of that system. But the important point is that we are looking at all of these at one time in a coordinated, coherent, systematic way and that's very unique about Model Cities.

The second change in our program approach is that to achieve such an ambitious goal as approaching all of these problems at once, we've obviously got to *mobilize all*

*resources* imaginable. This is not just a City of Portland program—though we will be formally in control. It is not just a federally aided program. We are going to require federal monies from all of its departments. We are also going to require state assistance from existing programs and perhaps new state resources. But especially we are going to need the so-called private resources—which agencies such as those represented here today control, both voluntary agencies and private profit agencies such as private industry. And these are going to have to be mobilized and combined in an intelligent way which still respects the autonomy of the individual agency. We are going to have put these resources together not just in one big jug but we're going to have to talk about management, about systems for controlling our output, about developing a team spirit, about developing intercommunication between our different team partners.

Model Cities then has to mean a systematic consideration of all conditions in the neighborhood and secondly a systematic application of all resources we can muster. Now, a resource which we treat separately as a third and final unique part of our program strategy, is significant *involvement of individual citizens* in our neighborhood. While the Portland City Council is going to have the final and formal control of the activities of line departments and the allocation of Model Cities money, meaningful opportunities will be developed for the residents of the neighborhood to influence that program which could significantly affect their daily lives. We are now designing and grappling with new techniques and new ways of achieving that goal and making that a firm reality in our program. Not just because these programs could affect the people, but because the people control significant resources. They have the knowledge of the problem, the perspective and emotional view of the problems and the resources which they control which they can put into themselves, into their own properties, into their own neighborhoods and finally the moral support which they can give to our efforts.

I see, then, three significant ways in which Model Cities represents a change in program approach: Consideration of all of the conditions, mobilization of all of the resources, and the significant involvement of the citizens of the United States.

Now in addition to the program approach, there are some other very important ways in which Model Cities represents a change and one of these is the change in federal-local relationships. We have heard a lot about creative federalism but I think Model Cities is the first concrete example of what that might mean in practice. It means, for instance, first of all that we will have in fact local determination, of the program elements. Mr. Goldman, last night at the UCS dinner, said that the federal government has thrown down a challenge to local government, to innovate, to design, to adapt the resources available to the unique and peculiar problems and values of Portland, Maine. And this is a very significant change in Model Cities—whether we can meet that challenge.

The second change in our federal-local relationships concerns the review process by which we request funds from the federal government. Not only have they agreed to try to cut red tape and speed up the process but more importantly it will not be a question of us in Portland, Maine working with their guidelines—their written instructions—trying to figure out what the devil they meant and trying to put together a thick document which we can mail out to Washington, which will get ignored for several weeks and then we'll get a yes—no—maybe decision on it. Instead, now when we have a problem and or we think there is a federal program which applies to that prob-

lem, we call the administering federal agency and they will come here or work with us over the telephone in designing and adapting the federal legislation to the problems of Portland. So when the application is finally submitted we will know what their reaction to it is and will be able to move much more quickly. Now this is not the federal government telling us how to run our program but this is federal technical assistance on a professional level helping us to design a better program, helping us to innovate in our approach to the problems of Portland, Maine.

And finally the changes in the federal-local relationship are in the area of financing, in the amount of money which the federal government is going to provide. Because through Model Cities, the federal government is committed to a recognition of the financial limitations of the cities in this country and towards coming up with some real money to make the program succeed. Model Cities is going to involve a great deal of coordination and team work and systems approach but its got to represent some more money too.

Changes then are part of Model Cities, not only on program approach, not only in our federal-local relationships, but it should mean changes here in Portland, Maine in our Model Neighborhood. If we succeed we are going to see changes physically. We are going to see much more important changes though with the people in the neighborhood: in their skills and their outlook and what they achieve for themselves and the extent to which they attain the personal goals they set for themselves and for their families.

And it should be change on a larger scale and a faster rate than we have seen before. Another important part of Model Cities then is not to repeat the mistakes of previous federally aided programs which have dragged on far too long. Our timetable calls for us to complete our planning, to design our basic approach between now and October 30 of this year. And then from there we'll have five short years to get the job substantially completed, to make a substantial impact.

Now, I think it's fair to say that where that change is going to be rapid or dramatic in our neighborhood (and I think that there is need for rapid and dramatic change) it's going to tear at the neighborhood, it's going to tear at the people in the neighborhood, and it's going to be painful and upsetting. But I think it is also true that where that change is slow, where programs are delayed, where resources are inadequate, that change is going to be *too slow* and it's going to be frustrating. That frustration is going to be a very powerful force. This question was discussed this morning of what happens when expectations exceed the pace of progress. I think we're going to see that happen in Portland too. Because no matter how we change it's going to be too fast for some and it's going to be too slow for others. May I say, we may have a peaceful revolution here in Model Cities; but I certainly don't think it's going to be a painless revolution.

In summary, then, these are the essential things I can see in the concept of Model Cities, the changes in our program approach, the changes in our relationship with the federal government, and the immediate impact these changes are going to mean in our cities. Now, all of these changes in turn are going to require that we acquire or develop new techniques of operating, new vocabularies for discussing, and new concepts for decision making. Especially new concepts in the area of social welfare programs, society's responsibilities to individuals, and individual social duties. This is really the theme of our meeting today. Let me, therefore, outline some of the unresolved areas, some of the specific issues I see ahead of us here in Portland, Maine.

1. I think first of all of the question "Where are we going with Model Cities?" We



talk about creating Model Neighborhoods. And when we talk about it we talk about what's wrong with that neighborhood now. But do we really know what is right? Do we really know where we are going? I suggest that essentially we do not. I think the first issue to ask is "Should we proceed without knowing, really, where we are going?" How can we proceed intelligently, or logically without knowing where we are headed? On the other hand, how can we afford to wait? How can we afford to procrastinate, to engage in academic discussion of where we're going when the problem is so urgent? I think that is the first kind of issue we have got to resolve in our mind very quickly in the weeks ahead.

2. But then come back to the question, where do we seem to be headed? What kind of goals are implied when we talk about a model neighborhood? I think that's an issue we've got to keep before us and talk about some more. I noted this morning some thoughts were expressed about the dignity of individuals, about opportunities for personal development for individuals. I thought we talked this morning about guaranteeing some kind of minimums for human existence, minimums in terms of incomes, health and education and housing, etc. I think we talked this morning about something called competency to manage one's own affairs. I think all of these have something to do with that concept of where are we going, what is a model neighborhood. But I think a lot has to be done here to round out this issue.

3. The third issue I see and I did not see it discussed this morning was the question of our growing interdependence upon one another. What with instant communications, rapid transportation and massive popular discussion through mass media, the opportunities for getting in each others way are increasing significantly all the time. I think this growing social and economic interdependence of individuals is having powerful impact on our concepts of social welfare and will have powerful impact on how we design our Model Cities Program here in Portland. We need to do a lot of work coming up with new concepts to answer this issue.

We need to talk about how we measure interdependence and the units we use to express our concepts. How do we evaluate it? I can only think of two ways to get at that—one is this concept of urbanization, we use so glibly. I think we should explore what that means, really. Another example is our crime rate and how our present concepts of social deviance lead us to moan about how the crime rate is constantly increasing. But we always express the rate in terms of crimes per hundred thousand persons or something similar. I think we've got to think about what's happening to our crime rate in terms of units of social interaction, if you will, units of increasing interdependence. I don't know the answer, I raise that example as an illustration of how we should bring this interdependence into our thinking. I think also we should question how our tolerance of social deviance is based on the amount of social interaction as we become a more closely packed society.

4. Another, I think separate, issue but related to this question of interdependence, is how our changing society is effecting our individual autonomy as persons and as corporations. When we say this morning that a possible social goal is an ability to manage one's own affairs, how close does that come to the questions of controlling one's own destiny; making personal decisions about what one wants to achieve? How is this related to the increasing interdependence we face?

In the area of private property rights, for example, what does the increasing interdependence mean? What is the impact on these property rights which are being constantly and increasingly infringed upon? What will be the effect on our profit system of motiva-

tion and our concepts of the competitive models with this increasing interdependence and on our emerging concepts of social welfare which I think conflict in many ways with that competitive model. How's our increasing interdependence going to affect the so-called private organizations in terms of how they deliver public spirited services? I am thinking here again of the United Fund Agencies represented here and the other voluntary agencies. How is this loss of individual autonomy going to effect the welfare of public service employees—from government employees like garbage collectors, so much in the news, to other public service employees like private medical physicians? What concept of social welfare do we need to develop to express these effects of interdependence and our reaction to them as they relate to Portland, Maine and our Portland Model Cities Program?

5. I think another separate issue which is very much in our thinking is the countervailing emphasis on individual rights and private rights and privacy. And I think that's a laudable increase in emphasis. But what do individual rights mean in terms of opportunities for another person? And how is our system of adjudicating between competing rights going to adjust to the changes in our society and our changing concept of social welfare?

6. And then, I would identify another issue which I think we are going to have to face in Model Cities on a different level: How all of these other issues and other emerging concepts are going to come about. What is the process of debate and discussion and decision-making going to be like? Where has our changing society left the individual person and his individual concepts, his individual opinions, his individual values on social welfare? We in the Model Cities Program are trying to devise mechanisms for just such kind of citizen participation, of citizen involvement in the discussion of what is a model neighborhood, of what are our new concepts of social welfare. And I think this is an issue all by itself, on a separate plane.

We talked this morning about the federal congress and what strange forces resulted in a Social Security Amendment we dislike. We talked today about the absence of the City Council here today and what puts them in that position. I think the decision-making process then is a very important and very separate issue we should face in Model Cities.

7. And then, finally, given that we have some mechanism for involving our present adult citizens in the discussion of these changing concepts, how effectively will our educational system pass on these changes in concepts to our children? We talk in Model Cities about innovating and building a new community school system. How are we going to train the children in this school system—not only to develop concepts to deal with the world around them today, but especially a world in which the only constant appears to be change itself.

That, then, is my overview of the Model Cities Program in terms of the very significant changes in program approach and way of doing things which it presents and the hope it holds out for us because it's going to do things differently. And those are the issues which I see when I think about the Model Cities Program.

Now in most of the sixty-three Model Cities that have been selected by the Federal Government I am certain we are going to see really exciting positive effects of changing concepts of social welfare. I think we in this room face the challenge. Will Portland be one of those successful cities? Will those programs be uniquely adapted to the needs and personal values and concepts of the people of our model neighborhood? The answer, I believe, will be Yes only if a meaningful discussion of these issues begins

here today in the panel discussions we are about to go into and continues and is carried on throughout our community in the months ahead.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. TOWER. Mr. President, I ask unanimous consent that I may suggest the absence of a quorum without the time being charged to either side.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. TOWER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. TOWER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### ORDER OF BUSINESS

Mr. TOWER. Mr. President, I ask unanimous consent that the floor may be yielded to the Senator from Virginia [Mr. BYRD], and that the time consumed by his remarks be charged to neither side.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BYRD of West Virginia. Mr. President, will the Senator from Virginia yield?

Mr. BYRD of Virginia. I yield to the Senator from West Virginia.

Mr. BYRD of West Virginia. Will the Senator indicate how much time he wishes to use?

Mr. BYRD of Virginia. Ten minutes; but I do not expect to take that long.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent, if the Senator from Virginia is agreeable, that his time be limited not to exceed 10 minutes.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. BYRD of Virginia. Mr. President, during the colloquy yesterday between the Senator from Florida [Mr. HOLLAND] and the Senator from Alabama [Mr. SPARKMAN], I had been called out of the Chamber for a telephone call when that discussion took place. But I note in the RECORD this morning that in replying to a query of the Senator from Florida in regard to new towns and new communities which have grown up in the Washington metropolitan area, the Senator from Alabama noted that he knew of only two such communities in this area, one being Columbia in Maryland the other Reston in Virginia.

Mr. President, those are two fine new communities which are being developed.

I merely wish to correct the RECORD, Mr. President, to this extent: that the largest of such communities in the Washington metropolitan area was not mentioned in the discussion yesterday, and I think it is well to have the RECORD show that Sterling Park, in Loudoun County, is the largest of all of the new communities in the Washington area.

Sterling Park now has 6,100 inhabitants. It is proposed that when all the land is utilized, in a few years, it will be a



community of 25,000; but even now, it is the largest of all these new cities or new communities in the area immediately adjacent to Washington.

I visited Sterling Park last Saturday, and participated in the dedication of a new community building there. The residents of that community are very fine people. They have developed a splendid community spirit. They have taken an active part in the affairs of Loudoun County.

Loudoun County, incidentally, is adjacent to Fairfax County, and is a rapidly growing area of our State.

Loudoun County goes to the top of Blue Ridge Mountain, where it joins with Clarke County on the west.

I notice that the Presiding Officer of the Senate today is the distinguished Senator from North Dakota (Mr. BURDICK in the chair). I know that he has property on Blue Ridge Mountain, and we are very proud that he does have a parcel of land in the State of Virginia. His land may be in Loudoun County, although quite possibly it could be in Clarke, because the dividing line is at the top of the mountain.

I merely wanted to say these few words, Mr. President, to make the RECORD clear, that more than two large new self-contained communities have been established, one being Columbia in Maryland, another being Reston, and a third being Sterling Park.

Mr. SPARKMAN. Mr. President, will the Senator yield?

Mr. BYRD of Virginia. I yield to the Senator from Alabama.

Mr. SPARKMAN. I am very glad that the Senator has brought this matter forward for the RECORD. He will note that I stated that I knew of only the two, one at Reston and one at Columbia. I am very glad to know about Sterling Park. I certainly was not intending to neglect it or slight it.

I was trying to argue the point that two communities were now a reality, and that they did need help, in the form of a supplementary grant, as provided in this bill, to aid in developing water and sewer systems.

Mr. BYRD of Virginia. I know that the Senator from Alabama did not intend to slight Sterling Park. That is why I invited his attention to it, because I know of his keen interest in all such communities and all such projects as this, and I wanted to invite his attention and the attention of the Senate to the fact that Sterling Park, now with 6,100 residents, is the largest of such communities in this area.

Mr. President, I suggest the absence of a quorum, and ask unanimous consent that the time not be charged to either side.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. TOWER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Who yields time? The Senator from Delaware is recognized.

#### DECREASE IN NUMBER OF VISITORS TO SENATE GALLERIES

Mr. BYRD of West Virginia. Mr. President, will the Senator yield me 30 seconds?

Mr. WILLIAMS of Delaware. Mr. President, I yield to the Senator from West Virginia.

Mr. BYRD of West Virginia. Mr. President, I call attention to the fact that there are only 43 visitors in the Visitors Galleries on this day in May at 10:55 in the morning.

I make this observation inasmuch as there is considerable discussion as to whether there is real fear in the city and as to the effect on visitors of the recent disturbances, rising crime, and the presence of demonstrators.

I thank the Senator for yielding.

#### HOUSING AND URBAN DEVELOPMENT ACT OF 1968

The Senate resumed the consideration of the bill (S. 3497) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development.

Mr. WILLIAMS of Delaware. Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

On page 83, after line 3, insert the following:

##### "LIMITATION ON PAYMENT OF INSURANCE BENEFITS

"SEC. 318. (a) Title V of the National Housing Act is amended by adding at the end thereof a new section as follows:

##### "LIMITATION ON PAYMENT OF INSURANCE BENEFITS

"SEC. 524. Notwithstanding any other provision of this Act, the amount paid by the Secretary on any insurance claim for the principal amount owing on any mortgage which is insured under this Act shall not exceed an amount equal to such principal amount, less any charges or discounts imposed, under a points or related system, upon the seller of the property securing such mortgage, or upon the mortgagor under such mortgage, or both, in connection with the financing of such mortgage."

"(b) The amendment made by this section shall not apply to any mortgage (1) insured under the National Housing Act prior to the date of enactment of the Housing and Urban Development Act of 1968, or (2) with respect to which a commitment to insure was entered into pursuant to such Act prior to such date."

Mr. WILLIAMS of Delaware. Mr. President, I yield myself 5 minutes.

The PRESIDING OFFICER. The Senator from Delaware is recognized for 5 minutes.

Mr. WILLIAMS of Delaware. Mr. President, the purpose of the pending amendment is very simple. It merely provides that under the insurance program, when an FHA mortgage is in default the mortgage holder can collect under this insurance only the amount which he actually paid for the mortgage. For example, if it is a \$10,000 mortgage on a home, and the mortgage was bought by that insurance company or banker for \$9,000, when the mortgage defaults the

holder can collect only the \$9,000. He cannot collect the extra so-called points from the U.S. Government.

I ask unanimous consent that an explanation of the amendment as prepared by Mr. John M. Reynolds, senior counsel of the Office of Legislative Counsel, be printed at this point.

There being no objection, the explanation was ordered to be printed in the RECORD, as follows:

The attached amendment is designed to prohibit the making of F.H.A. mortgage insurance payments to cover any portion of the principal amount of a mortgage attributable to a point or similar system or discount, thus limiting the amount payable to the holder of a defaulted mortgage to the amount he actually invested in acquiring the mortgage. It is intended to cover any discount obtained by the mortgagee whether from the purchaser or seller, or both, and whether it is obtained through the requirement of points or similar charges.

The amendment would apply only to future insurance undertakings and would not affect mortgage insurance already in force.

Respectfully,

JOHN M. REYNOLDS,  
Senior Counsel, Office of Legislative Counsel.

Mr. WILLIAMS of Delaware. Without this amendment, we have the ridiculous situation in which the mortgage companies actually make more money on the poor credit risks than they make on their good credit risks. For example, suppose a man finances a mortgage on his home for 40 years at a rate of, let us say, 6¾ percent; they discount the mortgage by 10 points, which means that the 10 points is amortized over 40 years. This gives the mortgage company, in effect, an extra ¼ percent when it is so amortized over the period of 40 years.

That is on the basis of a good credit risk.

Now, suppose that man defaults at the end of 20 years. It means that the lender can amortize the 10 points over a period of 20 years. It gives the mortgage company an extra one-half point, or 7¼ percent interest rather than the 6¾ percent.

On the other hand, suppose he is a poorer credit risk, and he defaults at the end of 5 years; it means that the mortgage company can collect the full amount and he only has to amortize the 10 points over 5 years, which gives him a gain of an extra 2 percent per year. If the mortgage company is very "lucky"—and I use that word in quotes—and gets a very poor credit risk, one who will default within a 12-month period, then it collects 16¾-percent interest on the mortgage, because it collects 6¾-percent interest under the present law plus the full 10 points.

Thus, we have a situation today in which a good credit risk has difficulty in placing a mortgage on his home, but a poor credit risk can place his mortgage because there is an excellent chance that he will default. Almost all the companies are glad to get it, because they can see a quick profit.

To me, it is ridiculous that we insure these points. If a home costs, say, \$30,000 to build, and you buy it for \$20,000, you cannot collect fire insurance on that home in excess of that amount. The in-



surance company will not pay you any more than it cost when you purchased the home or what it would cost to replace it. That is sound business practice. They will not let you over-insure.

All I am asking is that the Federal Government not underwrite or insure this point system. I believe the point system is one of the most vindictive arrangements that can possibly be in operation so far as the homebuyer is concerned, because by holding the interest rates somewhat lower and discounting the mortgage 8 or 10 points so that he can finance the mortgage you are, in effect, locking that man in at today's high-interest rates for the next 40 years. He is locked in for the next 40 years at the high-interest rates of today, which are at the highest level in the history of our country. He is locked in because if within the 40-year period he wants to refinance his mortgage and take advantage of the low-interest rates which may prevail 5 years from now, he must forfeit all 10 points, or whatever points are discounted.

I believe it is time Congress recognized that this housing bill is supposed to be designed to protect the homebuyers. I respect the homebuilders and the mortgage companies; but let us face it: They are better able to take care of themselves than are the homebuyers. This housing bill is supposed to be designed to help and protect the individual homebuyer who needs that protection and the help. I cannot conceive of anyone objecting to this amendment.

The second section of the amendment merely states that it would be prospective rather than retroactive. I am advised that it could not be retroactive with respect to the mortgages outstanding. My proposal would be prospective, from this day forward. Surely the Senate will approve this amendment.

I reserve the remainder of my time.

Mr. SPARKMAN. Mr. President, I yield myself 10 minutes.

This amendment is similar to amendments that have been offered heretofore. I believe the Senator from Delaware knows that I have tried and our committee has tried to do away with the point system. I have said many times on the floor of the Senate that it is a vicious system, and it is.

I tried to remove the ceiling on FHA interest rates. This ceiling was set at 6 percent by law, and I tried to remove the ceilings and let the market control the interest rates on FHA mortgages. I felt that such action would do away with the point system. But this proposal failed in committee on a tie vote. The committee was that closely divided.

We did remove the statutory ceiling, but we gave to the Secretary of HUD the authority to set the FHA interest rate at a level necessary to meet the mortgage market. Of course, the Secretary cannot set an interest rate that meets the mortgage market in all parts of the country at the same time. And sometimes he may not meet the market in any geographical area, because he cannot set the rate on a day-by-day basis. Consequently, the possibility of some points being charged on FHA mortgages remains. I am of the opinion, however, that they have dropped

since we gave the Secretary of HUD the authority I have just described.

The Senator has mentioned 10 points. I would be very much surprised to learn that there is a 10-point discount anywhere in the country. In fact, I believe that in most instances we would find that the points—where there are points—are probably 3 or 4. Actually, one point is allowed as a matter of course, which must be paid by the mortgagor. This is usually for closing costs.

Mr. WILLIAMS of Delaware. This is the service charge.

Mr. SPARKMAN. That is correct.

Mr. WILLIAMS of Delaware. We are discussing the points.

Mr. SPARKMAN. I know what the Senator is driving at. It is unconscionable when points are carried over a long period of time.

Mr. President, this matter was discussed in the committee. The distinguished Senator from Ohio [Mr. LAUSCHE] offered an amendment in 1967 I believe, and it was taken up in our committee. The committee at first agreed to it. Then there was a storm of protest. We restudied the matters in the committee, and the amendment, on reconsideration, was stricken from the bill we were then working up.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. SPARKMAN. May I just say this: I will admit that there was a difference at that time. I said there was a storm of protest. The difference was that we did have big discounts at that time, because we had a statutory interest rate ceiling of 6 percent.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. SPARKMAN. I yield.

Mr. WILLIAMS of Delaware. Does the Senator recall any one of those protests coming from a home buyer, the man who is buying the home?

Mr. SPARKMAN. No.

Mr. WILLIAMS of Delaware. The protest came from the man who is making a barrel of money out of this bucket shop, and that is what it is.

Certainly, the mortgage companies are going to protest. But is this a bill for the benefit of the mortgage companies, or is it a bill to provide assistance to the individual family in getting a home?

Mr. SPARKMAN. In actual practice, the points are not paid by the home buyer. They are paid by the seller or the builder, but not by the buyer.

Mr. WILLIAMS of Delaware. That is somewhat like the chicken and the egg. After all, a builder takes into consideration the discount in the mortgage. That it is part of the cost of the home. We know that. So these points are paid by the home buyer; if anyone doubts that ask any homeowner.

What I am proposing here is that the Government not insure this discount.

Mr. SPARKMAN. Let me say this to the Senator from Delaware—and the Senator from Texas will agree with me: The conditions now are different from those that existed last year.

I do not know how complicated the proposal of the Senator from Delaware would be, and I do not know how much difficulty such an amendment would

create. But if the Senator from Texas will support me in this matter, I am willing to accept the amendment, take it to conference, and in the meantime find out more about it than we know at present.

I should like to make it clear that I would want freedom to find out just what the prevailing situation is and to determine from that whether or not it should be written into the law.

Mr. TOWER. Mr. President, will the Senator yield?

Mr. SPARKMAN. I yield.

Mr. TOWER. I believe there is merit in the proposal of the Senator from Delaware, if for no other reason than that it focuses attention on a problem that requires some attention. I would therefore, certainly be willing to follow the suggestion of the Senator from Alabama. I would, almost eagerly, accept the amendment, for my side, and take it to conference and see if we can get into some rational discussion on the matter.

Mr. WILLIAMS of Delaware. I wish to say, in reply to the Senator from Alabama, that the fact that we have changed the interest rates somewhat here may eliminate the points. That is true. However, to the extent that the points are eliminated this would have no effect; it is only to the extent that the points are there.

On the other hand, under this bill the Secretary could eliminate points tomorrow by fixing the interest rates on the basis where the mortgage will sell at par. That is what should be done. From the standpoint of the home buyer, even though it might sound higher today, he would be far better off because if he has to pay  $7\frac{1}{4}$  or  $7\frac{1}{2}$  percent to get a mortgage today and is going to pay part of it under the point system, he is locked in for 40 years at the higher rates. The home buyer would be far better off to pay 7 percent straight on a mortgage sold at par value, for if the interest rate were to drop 2 points 2 years from now he could refinance that mortgage at perhaps 5 or  $5\frac{1}{2}$  percent. Why not protect the buyer of the home?

However, if we lock him in under a point system he might be forced to pay 10 percent to 12 percent for this 5-year period if he should refinance his mortgage at the lower interest rates prevailing then.

From the standpoint of the home buyer, any way one looks at it this amendment will protect the home buyer. I grant it will take much of the Government-insured profit out of the mortgage lending business. I have no quarrel with mortgage companies. They are entitled to their normal profits but not to having their profits guaranteed by the Government.

I welcome the opportunity to have the Senate vote on this proposal. The committee will find that this is one of the most important parts of the bill to protect the home buyer.

Mr. SPARKMAN. I assure the Senator from Delaware that we shall be very glad to check into this proposition and get all of the information that we can with respect to what the situation is and determine how workable the proposal is.

We have worked on this matter before. We have written into the law provisions



seeking to control the point system on at least two occasions.

Mr. WILLIAMS of Delaware. The Senator is correct.

Mr. SPARKMAN. They have all proved unworkable.

Mr. WILLIAMS of Delaware. The Senator is correct. I realize the problem. The reason it would not work was that there we had an artificially low legal ceiling under which a mortgage could not be financed. This bill changes that and now this amendment will work.

Mr. SPARKMAN. That has been somewhat relieved.

Mr. WILLIAMS of Delaware. That situation is relieved under this proposal, and the Secretary could correct the situation in its entirety. Certainly, there should be some relief for the buyer.

Senators are only kidding the home buyers when they tell him he is going to get a 6-percent mortgage at a time when money is bringing up to 7.5 percent. This man should not be locked in for the next 40 years at today's high interest rates. These points are disastrous from the standpoint of the home buyer.

Mr. SPARKMAN. Is the Senator willing for us to accept the proposal with the understanding that has been stated?

Mr. WILLIAMS of Delaware. Yes, but I yield to the Senator from Ohio first.

Mr. LAUSCHE. Mr. President, do I correctly understand that under the bill as it is now before the Senate, the Secretary does have the power to remove limitations on the rate of interest that has been charged?

Mr. SPARKMAN. That has been passed.

Mr. LAUSCHE. Is there any limitation on the interest rate that may be charged?

Mr. SPARKMAN. No. The Secretary is given the right to set the FHA interest rate. Of course, he is supposed to have in mind the going market rate.

Mr. LAUSCHE. Then, am I correct in this understanding: The interest rate limitation has been removed so that the lender can charge the going market rate, and, in addition, under the law the lender will be allowed to charge a discount or demand a premium for making the loan?

Mr. SPARKMAN. It is not under the law. It is in the dealings between the two parties.

Mr. LAUSCHE. There would be nothing in the law to prohibit?

Mr. SPARKMAN. Here is where the trouble arises. The Secretary is supposed to set an interest rate on a national basis. The rates in Washington, D.C., are not the same as the rates in southern California. Southern California, for some reason, always demands a higher rate of interest than the eastern part of the country, and there are other areas of the country in which that is true.

The current rate set by the Secretary is 6¾ percent.

It might require 7 percent or 7.25 percent to meet the market in the Los Angeles area. The lender cannot charge 7.25 percent under the FHA plan, but they could discount the mortgage a sufficient number of points to make up the difference in the interest rate. That is what the Senator from Delaware is striking at.

Mr. LAUSCHE. Mr. President, I believe it was last year I joined in the discussion with the Senator from Delaware which grew into a colloquy on the part of the Senator from Delaware, the Senator from Alabama, and me on this subject of a lender being permitted to demand a premium in addition to the rate of interest that was charged in making the loan.

My participation was prompted by my experience when I was a judge back in 1932 and up to 1941, primarily in the period of the depression. Second, it was motivated by information given to me by a trustee in bankruptcy of a company that was making loans, especially guaranteed by the Government, or the loans being finally bought by the Government.

My experience on the bench was that the greater the financial distress of the person wanting to borrow, the greater his inclinations was to pay an exorbitant rate of interest. The person who stands financially sound will not be gouged by extraordinary demands for interest payments.

Mr. President, the man who is financially sound can go into the open market and make his borrowing, but it is the poor man who wants to buy a home who is really involved. He does not have the money with which to make a downpayment and he pays usurious interest rates. We know that premiums of 10 percent have been demanded of the borrower in order to get the loan. In that experience as a judge, daily in the depression period I had before me foreclosure actions indicating exorbitant premiums that were paid by the borrower to get the loan.

Now, I mentioned a moment ago a trustee in bankruptcy who called me about 2 years ago and told me of the looseness of the operation of the Federal Government in guaranteeing not only the payment of the actual loan made and the interest, but also in guaranteeing the payment of a 10-percent, and in some instances 15-percent, premium charge to the borrower in order to get the loan.

The trustee in bankruptcy said that he would like to show me his files. I met with him in Cleveland. He brought his files with him and he pointed out case after case where Negroes especially were induced to buy and were practically coerced into paying a premium or a discount of 10 to 15 percent in order to get the loan.

The trustee in bankruptcy said that this particular company, whose business he was winding up, was glad whenever a buyer defaulted. If the buyer defaulted in the second year, the 10-percent premium meant an interest increase of 5 percent a year. If the buyer defaulted in the third year, it meant an increase of 3⅓ percent for each year, in addition to the regular rate of interest. Thus, the loans were made with the charge of the limited rate of interest allowed by the Secretary but, in addition to that, the premium. He outlined to me, I would say, 30 cases he had. His view was that the Government should not guarantee payment of the principal and the interest rate and, in addition, the discount on the premium charge.

I think that he was absolutely right. The mortgage companies contacted me subsequently and made the argument

that while there is a limitation on the rate of interest allowed to be charged, mortgagors should be permitted to make the charge of a premium in making the loan.

Now I understand that the interest rate limitation has been removed, subject to the discretion of the Secretary. With that having been achieved, the mortgagors will have two bonanzas—well, one probably should not be labeled that, the rate of interest charged. But the second one, the discount and the points, in my behalf, are deplorable and reprehensible.

Why should the taxpayer and the Government of the United States guarantee to a lender that not only will he be paid the principal amount which he loaned, and the interest which has been accrued, but also the premium of 10 and 15 percent?

The loans I am speaking about contained in the files of the trustee were for \$20,000 and \$25,000.

A premium of 10 percent on \$25,000 means that the lender received a windfall of \$2,500 on a \$25,000 loan.

I think it is wrong. For that reason, I support the amendment offered by the Senator from Delaware.

Mr. WILLIAMS of Delaware. I thank the Senator from Ohio. Mr. President, I have no reason to pursue the matter further. I ask for the yeas and nays on my amendment.

The yeas and nays were ordered.

Mr. WILLIAMS of Delaware. Mr. President, I am willing to yield back the remainder of my time now and we can proceed to vote.

Mr. SPARKMAN. Mr. President, the Senator from Delaware has asked for the yeas and nays, which have been granted. I shall vote for the Senator's amendment but I do want to make it clear that I am not sure just how the amendment will operate. I shall act with reference to the conference as I said to the Senator a few minutes ago that I would. I shall do my best to learn, between now and the time the bill goes to conference, just how effective and practical the amendment will be. My conduct in the conference will be governed accordingly, even though I do propose to vote for the amendment now, as I agreed a few minutes ago to accept it on that basis.

Mr. WILLIAMS of Delaware. I appreciate the support of the Senator from Alabama.

Mr. TOWER. Mr. President, let me say that I concur with the Senator from Alabama.

Mr. SPARKMAN. Mr. President, I am ready to yield back the remainder of my time.

Mr. LAUSCHE. Mr. President, let the RECORD show that I join as a cosponsor of the amendment of the Senator from Delaware.

Mr. WILLIAMS of Delaware. Yes. I have already asked for that. And I welcome the support of the Senator from Ohio.

Mr. President, let me take one moment to say that I appreciate support of my amendment. I think that its adoption will go far toward giving protection to the individual home buyer. I realize that it does present some problems. The Senator from Alabama is correct on that, but they



can be worked out. As I pointed out earlier in this discussion, the only real way to correct this abuse would be for the Secretary to put the interest rate at the actual rate the home buyer will have to pay in order to keep the mortgage at par. When he does that—

Mr. SPARKMAN. If the Senator will yield on that point, let me say that the Secretary cannot do that. That is due to the fact there are different interest rate levels in the regular market in different parts of the country.

As I said a moment ago, I tried to get the FHA ceiling removed completely so that the market would set the interest rates in the different parts of the country. However, I certainly am glad to join the Senator from Delaware in an effort to do away with points. I have tried to do that through the years.

I am now ready to vote.

Mr. WILLIAMS of Delaware. The ceiling should be removed entirely, and the Secretary will have that authority under this bill. I conclude by giving one specific example of how the present system works adversely to the Government as well as the home buyer.

I was in an area a couple years ago where homes were being sold with \$100 down. The homes sold for approximately \$10,000 to \$12,000. The discount on the mortgages was at least 8 points. Many of these homes defaulted within 15 months to 2 years thereafter, with the result that the Government was having to pay insurance on \$10,000 mortgages on homes which in reality had sold for only \$9,200 the year before.

The lender was making a quick profit, but the taxpayers were the losers.

Here is an opportunity to correct this unbusinesslike practice and at the same time protect both the taxpayers and the home buyers.

That is utterly ridiculous. No banker in the country, no mortgagor in the country would pay, and the Government should not have to pay off a mortgage that is greater than the value of the home. Certainly no insurance company in America would insure a piece of property in excess of the cash value of that property. That is what we are trying to prevent here.

Mr. President, I yield back the remainder of my time.

Mr. SPARKMAN. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER (Mr. LAUSCHE in the chair). All time on the amendment has now been yielded back.

The question is on agreeing to the amendment of the Senator from Delaware.

On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. BIBLE], the Senator from Hawaii [Mr. INOUYE], and the Senator from Missouri [Mr. LONG] are absent on official business.

I also announce that the Senator from Indiana [Mr. BAYH], the Senator from Idaho [Mr. CHURCH], the Senator from Connecticut [Mr. DODD], the Senator

from Mississippi [Mr. EASTLAND], the Senator from North Carolina [Mr. ERVIN], the Senator from Oklahoma [Mr. HARRIS], the Senator from Indiana [Mr. HARTKE], the Senator from South Carolina [Mr. HOLLINGS], the Senator from North Carolina [Mr. JORDAN], the Senator from Massachusetts [Mr. KENNEDY], the Senator from New York [Mr. KENNEDY], the Senator from Louisiana [Mr. LONG], the Senator from Washington [Mr. MAGNUSON], the Senator from Minnesota [Mr. McCARTHY], the Senator from Wyoming [Mr. McGEE], the Senator from South Dakota [Mr. McGOVERN], the Senator from New Mexico [Mr. MONTOYA], the Senator from Oregon [Mr. MORSE], the Senator from Wisconsin [Mr. NELSON], and the Senator from Florida [Mr. SMATHERS] are necessarily absent.

I further announce that, if present and voting, the Senator from Indiana [Mr. BAYH], the Senator from Mississippi [Mr. EASTLAND], the Senator from North Carolina [Mr. ERVIN], the Senator from North Carolina [Mr. JORDAN], the Senator from Massachusetts [Mr. KENNEDY], the Senator from New York [Mr. KENNEDY], the Senator from Oregon [Mr. MORSE], the Senator from Florida [Mr. SMATHERS] and the Senator from Oklahoma [Mr. HARRIS] would each vote "yea."

Mr. DIRKSEN. I announce that the Senator from Vermont [Mr. PROUTY], the Senator from Kansas [Mr. CARLSON], the Senators from Kentucky [Mr. COOPER and Mr. MORTON], the Senator from Arizona [Mr. FANNIN], the Senator from Hawaii [Mr. FONG], and the Senators from California [Mr. KUCHEL and Mr. MURPHY] are necessarily absent.

If present and voting, the Senator from Arizona [Mr. FANNIN] and the Senators from California [Mr. KUCHEL and Mr. MURPHY] would each vote "yea."

The result was announced—yeas 69, nays 0, as follows:

[No. 166 Leg.]

YEAS—69

Aiken	Gruening	Pastore
Allott	Hansen	Pearson
Anderson	Hart	Pell
Baker	Hatfield	Percy
Bartlett	Hayden	Proxmire
Bennett	Hickenlooper	Randolph
Boggs	Hill	Ribicoff
Brewster	Holland	Russell
Brooke	Hruska	Scott
Burdick	Jackson	Smith
Byrd, Va.	Javits	Sparkman
Byrd, W. Va.	Jordan, Idaho	Spong
Cannon	Lausche	Stennis
Case	Mansfield	Symington
Clark	McClellan	Talmadge
Cotton	McIntyre	Thurmond
Curtis	Metcalf	Tower
Dirksen	Miller	Tydings
Dominick	Mondale	Williams, N.J.
Ellender	Monroney	Williams, Del.
Fulbright	Moss	Yarborough
Gore	Mundt	Young, N. Dak.
Griffin	Muskie	Young, Ohio

NAYS—0

NOT VOTING—31

Bayh	Hartke	McGee
Bible	Hollings	McGovern
Carlson	Inouye	Montoya
Church	Jordan, N.C.	Morse
Cooper	Kennedy, Mass.	Morton
Dodd	Kennedy, N.Y.	Murphy
Eastland	Kuchel	Nelson
Ervin	Long, Mo.	Prouty
Fannin	Long, La.	Smathers
Fong	Magnuson	
Harris	McCarthy	

So the amendment of Mr. WILLIAMS of Delaware was agreed to.

Mr. TOWER. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. MANSFIELD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. SPARKMAN. Mr. President, I yield 2 minutes on the bill to the Senator from Alaska.

#### A SEA-LEVEL CANAL CONNECTING THE ATLANTIC AND PACIFIC OCEANS

Mr. BARTLETT. Mr. President, I ask the Chair to lay before the Senate a message from the House of Representatives on H.R. 15190.

The PRESIDING OFFICER laid before the Senate a message from the House of Representatives announcing its disagreement to the amendment of the Senate to the bill (H.R. 15190) to amend sections 3 and 4 of the act approved September 22, 1964 (78 Stat. 990), providing for an investigation and study to determine a site for the construction of a sea-level canal connecting the Atlantic and Pacific Oceans, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. BARTLETT. I move that the Senate insist upon its amendment and agree to the request of the House for a conference, and that the Chair be authorized to appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. MAGNUSON, Mr. BARTLETT, and Mr. COTTON conferees on the part of the Senate.

#### HOUSING AND URBAN DEVELOPMENT ACT OF 1968

The Senate resumed the consideration of the bill (S. 3497) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development.

Mr. MONRONEY. Mr. President, I send to the desk an amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. MONRONEY. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with, and that the amendment be printed in full in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MONRONEY's amendment is as follows:

At the end of the bill add a new section, as follows:

"RELEASE FROM LIABILITY UNDER VETERANS' HOME LOAN PROGRAM

"Sec. 1520. (a) Section 1817 of title 38, United States Code, is amended (1) by striking out 'Whenever' at the beginning of such section and inserting in lieu thereof '(a) Whenever'; and (2) by adding at the end of such section a new subsection as follows:



“(b) In order that any veteran who disposes of residential property securing a guaranteed, insured, or direct loan obtained by him will be informed of the release provisions of subsection (a) of this section, the Administrator shall require as a condition to guaranteeing or insuring any home loan under this chapter (including any loan guaranteed under section 1811(g) of this title) that the holder of the instrument creating and securing the loan agree to notify, in accordance with regulations prescribed by the Administrator, the veteran, on whose behalf the loan was guaranteed, insured, or made, of the provisions of subsection (a) of this section before such holder agrees to permit any third person to assume the obligations of the veteran under the terms of such instrument. Notification to a veteran under this subsection shall include an explanation of his liability in the event of his failure to obtain a release under subsection (a) of this section and of any effect such failure may have on his eligibility for benefits under this chapter. Failure by a holder of any such instrument to give notice to a veteran in accordance with regulations of the Administrator shall release the United States from any obligation on any such loan. A signed statement by the veteran to the effect that he has received the notification provided for in this subsection shall constitute prima facie evidence that such notification was given.”

“(b) The amendment made by subsection (a) of this section shall be applicable in the case of all home loans guaranteed or insured under chapter 37 of title 38, United States Code, on and after the date of enactment of this Act (including loans guaranteed under section 1811(g) of this title). The Administrator shall take such action as he deems necessary and appropriate to provide for the notification prescribed by section 1817(b) of title 38, United States Code, as added by subsection (a) of this section, in the case of veterans who dispose of residential property with respect to which they obtained guaranteed, insured, or direct loans prior to the date of enactment of this Act.”

Mr. MONRONEY. Mr. President, one of the most lasting benefits which has been provided for veterans is guaranteed loans for homes, farms, and businesses. Through this program, veterans have been able to secure private financing to purchase and improve property where such financing would otherwise be unavailable because of high interest rates and stringent credit requirements.

With the recent enactment of Public Law 90-301 the loan guarantee program has been greatly expanded by increasing the entitlement on home loans from \$7,500 to \$12,500 and by providing for an increase in the maximum interest rate on these loans. These improvements in the program will make guaranteed loans competitive in the money market and thereby increase the number of guaranteed loans. However, with this increase in activity there will also be an increase in one of the most unfortunate problems which has accompanied this program.

Veterans who have purchased or improved property with loans guaranteed by the Veterans' Administration can sell their property and permit a nonveteran to assume the balance of the guaranteed loan. However, I have become increasingly concerned about the number of veterans who have been held liable for defaults on guaranteed loans by subsequent purchasers because the veteran failed to obtain a release from liability from the Veterans' Administration.

In fiscal year 1960 the Veterans' Administration paid to lending institutions 10,928 claims resulting from defaults on guaranteed loans. Twenty-four percent of those claims were the result of defaults by subsequent purchasers. In the period from April through September of 1967, the VA paid 9,438 claims of which 36.7 percent were caused by defaults of subsequent purchasers. Twenty-one and seven-tenths percent of the claims paid in 1967 resulted in deficiency judgments against veterans who had sold their property without obtaining a proper release.

I am convinced that the reason most veterans failed to obtain the necessary release was that they were not aware that such a release was available or what the consequences would be if they did not obtain a release. There is no way the Veterans' Administration can advise a veteran of his rights when he sells his property because the transaction is often known only to the lending institution. Consequently, I feel that when property financed by a guaranteed loan is sold, the lending institution should be required to advise the veteran of his right to apply for a release from liability for the loan. To create such a requirement I offer an amendment to the pending Housing and Urban Development Act of 1968.

This amendment contains three basic provisions. First, it requires the holder of an instrument secured by a loan guarantee from the Veterans' Administration to advise the veteran, when he sells the property concerned and permits a third party to assume the balance of the guaranteed loan, of his right to obtain a release from liability from the loan, of the procedure he should follow to obtain such a release, and of the effect a release will have on his liability and loan entitlement.

Second, the amendment provides that if the lending institution fails to give the veteran appropriate notification, the guarantee on the loan would be canceled and the United States would no longer insure the loan. This would have the effect of canceling the veteran's liability because the Government would not be responsible for a default on the loan by a third party and therefore the veteran would not be liable for a deficiency judgment.

These notification requirements would be applicable only to loans made after the date of the enactment of this provision. However, it would certainly be beneficial if all veterans who sell property financed with guaranteed loans could receive this notification, regardless of when the loan was made. Therefore, the third provision of this amendment is that the Administrator of Veterans' Affairs shall take whatever action he considers to be appropriate to enable all veterans to benefit from the notification procedures.

While this amendment will place an additional burden on the lending institutions, it certainly cannot be considered a harsh one when the resulting benefits to veterans are taken into consideration. With guaranteed loans becoming more desirable obligations to hold as a result of Public Law 90-301, it is not unreasonable to require the lender to assume an

additional duty for the protection of the veterans.

Mr. President, I understand that the committee and its staff have surveyed the situation, and that the committee has agreed to accept the amendment.

Several Senators addressed the Chair.

Mr. MONRONEY. Mr. President, I yield first to the distinguished ranking minority member of the committee.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. TOWER. Mr. President, the pending amendment requires no additional authorization and no additional funding. I think the intent is very good and that it is a very constructive amendment.

I am prepared, on my part, to accept the amendment.

Several Senators addressed the Chair.

Mr. MONRONEY. Mr. President, I yield first to the distinguished Senator from Colorado.

The PRESIDING OFFICER. The Senator from Colorado is recognized.

Mr. DOMINICK. Mr. President, I congratulate the Senator for bringing up the problem. I am sure that all Senators have had letters from people who have been involved in a situation of the kind the Senator is talking about.

Mr. BYRD of West Virginia. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order.

The Senator may proceed.

Mr. DOMINICK. Mr. President, do I correctly understand that if the seller does get a release, as the Senator has indicated, in effect it is then up to the purchaser to assume the burden of the loan, and the seller, being a veteran, is thereby released from any further liability?

Mr. MONRONEY. The Senator is correct. And the lending institutions must do this. If it does not advise the veteran of the situation, then the veteran is relieved, and this makes the burden fall, as it should, on the subsequent buyer who does not enjoy the veteran's status.

Mr. DOMINICK. Mr. President, I would be happy to support the Senator. As a matter of fact, if the Senator does not mind, I would like to be listed as a cosponsor of his amendment.

Mr. MONRONEY. I ask unanimous consent that the name of the distinguished Senator from Colorado [Mr. DOMINICK] be added as a cosponsor to the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SPARKMAN. Mr. President, I share the feeling of the distinguished Senator from Texas that the pending amendment is a good amendment. There is one thing that I wish to caution the Senator from Oklahoma about.

The committee in the House which has jurisdiction over VA guaranteed mortgages is the Veterans' Affairs Committee. Of course, we will be in conference with the Banking and Currency Committee. There is the possibility that a point of order will be made that they do not have jurisdiction to deal with the amendment of the Senator from Oklahoma. If so, we will run into a snag. We have had that situation occur before.



Mr. MONRONEY. Mr. President, because of the virtues connected with relieving these veterans of a liability which they did not know they had until perhaps several years after the sale of the house, I believe that compassion and justice and reasonableness will hold forth in the House, in which body both the Senator from Arkansas and I served for so many years. I believe that we will somehow be able to rise to meet the situation involved in something as deserving as the pending amendment.

Mr. SPARKMAN. I assure the Senator that I will argue the characteristics that he has mentioned.

Mr. MONRONEY. Would the Senator like to be listed as a cosponsor?

Mr. SPARKMAN. If the Senator asks unanimous consent, I would be pleased to do so.

Mr. TOWER. Mr. President, I would also like to be listed as a cosponsor.

Mr. MONRONEY. Mr. President, I ask unanimous consent that the names of the Senator from Alabama [Mr. SPARKMAN] and the Senator from Texas [Mr. TOWER] be listed as cosponsors of the amendment. This may bridge the technical House rules which I tried so hard to change in the Reorganization Act, so that justice will prevail.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SPARKMAN. Mr. President, I yield back the remainder of my time.

Mr. MONRONEY. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time having expired, the question is on agreeing to the amendment of the Senator from Oklahoma.

The amendment was agreed to.

Mr. MONRONEY. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. SPARKMAN. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BENNETT. Mr. President, I send an amendment to the desk and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to state the amendment.

Mr. BENNETT. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and the amendment will be printed in the RECORD.

The amendment, ordered to be printed in the RECORD, is as follows:

On page 154, between lines 18 and 19, insert the following:

"(c) Section 5136 of the Revised Statutes is amended by adding at the end thereof the following:

"Ninth. To issue and sell securities which are guaranteed pursuant to section 306(g) of the National Housing Act."

"(d) The first proviso to section 21(a)(1) of the Banking Act of 1933 is amended by inserting ', or issuing securities,' immediately following 'investment securities.'

"(e) Section 5(c) of the Home Owners' Loan Act of 1933 is amended by adding at the end thereof a new paragraph as follows:

"Any such association may issue and sell securities which are guaranteed pursuant to section 306(g) of the National Housing Act."

Mr. BENNETT. Mr. President, is there a time limitation?

The PRESIDING OFFICER. There is a time limitation of 1 hour on each amendment, 30 minutes to a side.

Mr. BENNETT. Mr. President, I yield myself 6 minutes.

The PRESIDING OFFICER. The Senator from Utah is recognized for 6 minutes.

Mr. BENNETT. Mr. President, in my view, a very important provision of this bill is contained in section 804, which authorizes the Federal National Mortgage Association to issue securities backed by pools of Government-underwritten mortgages. The section would authorize the new Government National Mortgage Association to guarantee these securities, and also to guarantee these types of securities similarly backed if issued by other private institutions approved by GNMA—Ginnie Mae—for that purpose.

For many years the housing industry in this country has had as one of its principal problems the lack of available credit for mortgage financing. It is very hard for mortgages to compete with corporate securities in attracting capital, because of the problems and expense that go along with maintaining a portfolio of mortgages and which are non-existent in the case of corporate bonds. It is hoped that section 804 will provide a mechanism for the creation of a type of mortgage-backed securities which will be purchased by pension funds and other types of investors that have been largely unwilling to invest in mortgages themselves, thereby making more investment money available for the mortgage market.

The expectation is that FNMA will issue the first of such securities to establish a market for them, and that thereafter mortgage bankers and other mortgage lenders and investors could come in and issue their securities. The bill clearly pledges the full faith and credit of the United States to the payment of any amounts due under this guaranty, and this feature should make it possible for the securities to be sold at a rate of interest that will allow the issuer enough of a margin to make this program economically feasible.

The Government guaranty by GNMA will in a sense be a pass-through of the already existing Government guaranty or insurance of mortgages in the pools to the securities backed by the pools. It will not bring about an increase in the Government's total contingent liability, for the reason that the contingent liability of the Government is incurred at an earlier time when the mortgages are insured or guaranteed. GNMA is authorized to collect a fee for its guaranty, and it is intended that this program will be fully self-supporting and will operate at no cost to the Government.

I certainly hope, Mr. President, that this mortgage-backed security will be the answer for some of the financial ills that have beset the housing and home financing industries for many years.

In order to be certain that banks and savings and loan associations, like other lenders, will be able to issue these securities, I offer an amendment which I am sure will do three things, and which is in keeping with the intent of this section. The first of these is to section 5136 of the Revised Statutes to specifically empower national banks to issue such securities, and the second is to section 21(a)(1) of the Banking Act of 1933 to specifically exempt these obligations from its criminal penalties. The third authorizes savings and loan associations to issue the same type of security. If these things are not done, commercial banks and savings and loan institutions which already have the power to deal in the underlying mortgages, may be prevented from issuing such obligations thereby precluding these segments of the industry from making their maximum contribution to this program.

Mr. President, in discussing this amendment with Federal agency officials, I find that there is some question regarding the authority of the regulatory agencies to define, through rules and regulations, the proper use and activity of financial institutions in issuing these securities. If, in fact, experience indicates that additional regulatory authority is necessary to deal with this authorization to issue securities by financial institutions, I am sure that we in the committee will meet that need.

Mr. President, I hope that the manager of the bill, who understands the amendments, will accept them.

Mr. SPARKMAN. Mr. President, before the Senator yields the floor, may I ask him a question or two.

First: with respect to proper supervision—whether or not the supervisory agencies have the authority to supervise this matter in the way that the Senator would envisage.

Mr. BENNETT. I have checked with these supervisory authorities today. There is some question about the authority. Their position is that the matter is a little indefinite. As I have said, if it is challenged, I am sure we can quickly amend their authorization so that the authority can be nailed down.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. SPARKMAN. I yield myself 5 minutes, Mr. President.

I wish to invite attention to the matter, because I believe it is something about which we should exercise some caution. I agree with the distinguished Senator from Utah, and I shall be glad to cooperate in seeing that they do get the required authority.

Mr. BENNETT. If it is challenged.

Mr. SPARKMAN. Mr. President, I believe this is a good amendment, and, for my part, I am willing to accept it.

Mr. BENNETT. Mr. President, I yield back the remainder of my time.

Mr. SPARKMAN. I yield back the remainder of my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Utah.

The amendment was agreed to.



## AMENDMENT NO. 831

Mr. PEARSON. Mr. President, I call up my amendment No. 831 and ask that it be read.

The PRESIDING OFFICER (Mr. WILLIAMS of New Jersey in the chair). The amendment will be stated.

The legislative clerk read the amendment, as follows:

On page 180, between lines 5 and 6, insert the following:

## "LOAN LIMIT ON PROJECTS IN RURAL AREAS

"SEC. 1005. Section 515(b) of the Housing Act of 1949 is amended by striking out '\$300,000' in subparagraph (1) and inserting '\$600,000' in lieu thereof."

Mr. PEARSON. Mr. President, I yield myself 5 minutes.

First, I express my pleasure at the inclusion in this bill of title X, which I believe is the first time that a housing bill has specifically recognized the problems of rural housing.

My amendment would not actually amend any provision of the bill itself, but would amend the Housing Act of 1949, in that it would increase the ceiling that the Farm Home Administration might include in a housing project in a rural area.

With reference to the population limitation of 5,500, I find that this is an unrealistic figure in dealing with some of the small rural and countryside communities throughout the Nation, which represent today one of the areas of problem because of outmigration. I believe it ironic, in a way, that the great crisis in the cities finally and squarely directed our attention to the migration out, so that it is the core of the great cities and the small rural towns that are suffering today.

I have hope that the Rural Job Development Act, which the Senator from Oklahoma [Mr. HARRIS] and I sponsored, and which was cosponsored by many Senators, can do something about revitalizing the rural areas. Jobs, of course, are the first consideration. But other factors must be considered, including housing, education, and health.

I would hope that this amendment, which I believe was offered in the committee by the distinguished Senator from New Jersey [Mr. WILLIAMS], would find merit on the part of the managers of the bill.

Mr. SPARKMAN. Mr. President, will the Senator yield?

Mr. PEARSON. I yield.

Mr. SPARKMAN. I have discussed this matter with the Senator from Kansas, and I have pointed out to him that this is an increase in the mortgage limits without any additional funding, which means a greater diffusion of housing—cutting down on the number that really could benefit under the farm housing program. We have this problem quite often where there is a feeling that the price or cost of the individual house should be raised.

This matter could involve sizable projects. We have had no testimony on the matter. I believe the Senator knows that I am in thorough sympathy with anything that can be done with respect to rural housing. As a matter of fact, the original title V of the Housing Act, relat-

ing to farm housing, was introduced by me and was written into the law in 1949. And there have been a number of amendments since that time.

I certainly am in favor of a good farm housing program. But I am not convinced—and I do not have the evidence before me—of the need for this proposal or its desirability. I hope that the Senator will not insist upon it at this time. But I will say this: Give us an opportunity to study the proposal with the Farmers Home Administration, and let us see what the need may be.

I will make this promise to the Senator—and I believe the Senator from Texas, the ranking minority member on the Housing Subcommittee, will join me. If a need is shown, we will be glad to submit proposed legislation to take care of it, because we want an adequate farm housing program.

Mr. PEARSON. I thank the Senator from Alabama.

Mr. TOWER. Mr. President, will the Senator yield?

Mr. PEARSON. I yield.

Mr. TOWER. I should like to press for hearings on this matter at the earliest possible moment, because I believe it is something we should look into.

I appreciate the spirit of what the Senator from Kansas is doing. As a matter of fact, we might discover that we should be doing even more than is suggested in the amendment. I believe it is a matter on which we should have hearings at the earliest possible opportunity, and I would cooperate in holding hearings.

I should like to suggest to the Senator from Kansas that this proposal be introduced as an independent bill, and conceivably we could get hearings on it this session.

Mr. PEARSON. I believe that suggestion has merit. As a matter of fact, as I indicated, it is an amendment to the Housing Act of 1949 and not to this particular bill.

But I would say once again, to make the record, that particularly in the field of rural development or rural conditions we have had for a long time classification figures and limitations of 2,500 people, which were totally unrealistic; and I believe it was that particular act that boosted the figure to 5,500, which is still unrealistic.

If we are eager, through legislation or through the natural course of events, to understand the great outmigration, to develop the rural areas of America, through jobs and housing programs, we will have to take a look at a new set of classifications and a new set of facts, and among these certainly will be an increase in the amount of projects that the Farmers Home Administration will be eligible to undertake.

Mr. TOWER. I believe the Senator from Kansas has made a great contribution to the discussion of the problems we face in our cities, which are precipitated in major part by the flight of people from the farms to the cities and which have precipitated our urban problems.

I believe it is wise to suggest that if we are going to solve our urban problems, we had better get at the root causes of them and see what is wrong in the rural

areas which has precipitated the flight to the cities. I believe this is a very constructive approach.

Mr. PEARSON. I thank the Senator from Texas.

Mr. President, in light of the colloquy and the very generous comments and understanding of the manager of the bill and the ranking minority member of the committee, I ask unanimous consent to withdraw amendment No. 831.

The PRESIDING OFFICER. The Senator has the right to withdraw it, without unanimous consent. The amendment is withdrawn.

Mr. DOMINICK. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DOMINICK. Are we operating on limited time at present?

The PRESIDING OFFICER. One hour on each amendment, 4 hours on the bill.

Mr. DOMINICK. Mr. President, will the Senator yield me 5 minutes on the bill?

Mr. TOWER. I yield 5 minutes on the bill to the distinguished Senator from Colorado.

Mr. DOMINICK. Mr. President, I wish to bring up for discussion again the portion of the bill which was voted upon and discussed to some degree by the distinguished Senator from Texas yesterday—namely, title IV.

Mr. President, if I could have the attention of the Senator from Alabama, I wish to ask just a few questions and I hope the Senator can help me.

I am looking at title IV of the bill. Yesterday the amendment of the Senator from Texas to strike this particular title was defeated on the floor of the Senate. I am not sure that many Senators realize the scope of this particular title of the bill.

For example, as I read the bill, on pages 85 and 86, the Secretary is, in effect, required to be a real estate developer in order to be able to issue any guarantees because he has to determine for himself before he can issue a guarantee whether—

(1) the proposed new community (A) will be economically feasible in terms of economic base or potential for growth, and (B) will contribute to the orderly growth and development of the area of which it is a part;

Then, he is to determine that—

(2) there is a practicable plan (including appropriate time schedules) for financing the land acquisition and land development costs of the proposed new community and for improving and marketing the land

Then the Secretary must determine the kind of shops, schools, recreation facilities, transportation, and other facilities that are going to be built, as the Secretary deems satisfactory.

Therefore, as I understand this particular title, in effect the Secretary would determine the total makeup of the planned community; and he is required to do this before he could issue any guarantee.

Am I wrong in my estimate of the responsibility we are asking the Secretary to assume under this title?

Mr. SPARKMAN. No. I think the Senator has stated it correctly. Of course, all



of this has to be within all governmental approvals required by the State or local government. In other words, the Secretary cannot just move out into an area and determine these things and say, "There shall be a community here." It has to be with approvals from local governments.

Mr. DOMINICK. But in most areas of our country all he would have to do would be to have some land, buy that land, and decide that this is what he is going to put up, and make sure it complies with the zoning and other local laws. As I understand it, we do not have to have a State planning commission or any other body approve of the development.

Mr. SPARKMAN. I do not understand your point, except to say that the bill provides that the developer "has received all governmental approvals required by State or local law."

It is my understanding the developer must have the approval required by the governmental body in which the proposed project is to be located.

Mr. DOMINICK. By and large would it mean that it meets the requirements of the zoning laws in the area in which it is located?

Mr. SPARKMAN. No. It must have positive approval.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. DOMINICK. Mr. President, will the Senator yield to me 5 more minutes on the bill?

Mr. SPARKMAN. I yield.

Mr. DOMINICK. I do not wish to keep belaboring this point, but I wonder if we are not placing the Secretary in an untenable position under title IV, because the general way that I know in which developers start this type of community is to acquire the land block, make sure their zoning is in proper shape, and that they have adequate financing to put the project together.

However, in this case, he has to go over and beyond that and get the approval of the Secretary for every financial detail in the program because unless the Secretary approves every one of those requirements, he cannot get his bonds guaranteed by the Government.

The point I make is that we are turning the Secretary into a complete land developer which does not seem to me to be his function in our system of Government.

I wonder if any consideration was given to this particular matter by the committee which would give us reason to believe that this is the way we should proceed.

Mr. SPARKMAN. Mr. President, will the Senator yield?

Mr. DOMINICK. I am happy to yield to the Senator from Alabama.

Mr. SPARKMAN. The point that the Senator is raising was raised by me in the committee 3 years ago, and changes were made. One of the changes made was the requirement that there be approval of the local governmental authority, whatever they require. In other words, the Secretary cannot just move out and comply with the zoning laws. He must have the required approval from the

local governing body. I was not in favor of the new towns program. In fact the Senate never approved the new towns program. The House did so in 1966. The provision then came back here where we accepted it in a conference report. This is simply providing an alternative financing approach to a program that became law in 1966. It is true it does impose a great deal on the Secretary, but we do the same thing on a different scale in every FHA project.

The Secretary has the responsibility to pass every detail. If it is going to be an apartment, house he has to be sure the costs are in line. If it is rental property, he has to be sure that the rents that would be required are reasonable and certainly that the rents sustain the costs, and so forth.

On every project, model cities, urban renewal, all of this has to be worked out before there can be any action. The same thing is true in the case of the new community program.

Mr. DOMINICK. I would appreciate if the distinguished Senator would answer a couple more brief questions.

I understand that of the two model cities we have in the Washington area—Columbia and Reston—at least one of them has been in some financial difficulty.

I wish to ask the Senator from Alabama whether or not it is intended that under the terms of this bill those two communities would be within the range of the guarantees of the Government of their financial obligations.

Mr. SPARKMAN. Which two communities did the Senator refer to?

Mr. DOMINICK. Reston and Columbia.

Mr. SPARKMAN. Those were privately financed projects.

Mr. DOMINICK. This bill encompasses private developments.

Mr. SPARKMAN. I know, but they were built without FHA assistance.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. DOMINICK. Mr. President, will the Senator yield to me for an additional 5 minutes?

Mr. SPARKMAN. Mr. President, I yield an additional 5 minutes to the Senator from Colorado.

Reston was financed by Gulf Oil Corp. I believe. I do not know what financing was involved in connection with Columbia, but neither of those projects was assisted under the FHA program. I cannot say whether they would have fallen in that category or not.

Mr. DOMINICK. I am not asking if they would have. I am asking if they now, under the terms of this language, obtain financing.

Mr. SPARKMAN. No. They initially went their way on a different course of financing and would not be eligible under this bill, as I understand it.

Mr. DOMINICK. Is that because it is not to be retroactive? Is that the reason?

Mr. SPARKMAN. There is no provision in here for retroactivity. Furthermore, it anticipates that HUD or FHA will be in from the very first in the planning and development stages.

Mr. DOMINICK. I frankly do not see anything of that at all in here, because

it is the enlistment of private corporations in a new community development.

Mr. SPARKMAN. What we do in this bill is to provide an alternative financing plan for the new communities program.

Mr. DOMINICK. But if the Senator looks at the title the way I do, it is a totally new title and its provisions stand alone without regard to any other law, so far as I can see.

Mr. SPARKMAN. The title guarantees for financing new community land development. As I say, it is an alternative financing plan. However, if the Senator will go back to the 1966 Act he will find the basic law for FHA insurance of new communities. A number of those provisions are repeated in this bill. One of the conditions is that there be a practicable plan for financing the land acquisition and the land development areas. All of these things must be approved by the Secretary before he will approve the project.

Mr. DOMINICK. Does the Senator have any idea as to how we reached the guarantee maximum of half a billion dollars for this?

Mr. SPARKMAN. Did the Senator say half a billion dollars?

Mr. DOMINICK. That is correct. \$500 million.

Mr. SPARKMAN. That is the total outstanding obligation that could be incurred throughout the whole country.

Mr. DOMINICK. That is correct.

Mr. SPARKMAN. How this was computed, I do not know. There is a limitation on each individual project of \$50 million. I suppose \$500 million was requested so that an upper limit would be placed on the amount of debentures HUD could guarantee.

Mr. DOMINICK. I thank the Senator for giving me this time. I must say that I think it is somewhat unusual to find the Federal Government using taxpayers' funds in general for the purpose of guaranteeing a private developer's profit. I personally think this is a miserable title, for that very reason.

Mr. SPARKMAN. In a way we do that with any builder that puts up an apartment house and uses FHA insurance. Anyone that puts up a single-family unit under FHA insurance comes under the same principle.

Mr. DOMINICK. The purpose of that, as I understand it, was to try to get some kind of housing for people unable to pay what they would like to pay for a house of the type that they would like, but here what we are doing is saying to any promoter or builder that wants to come along, "Go ahead. We will guarantee it."

Mr. SPARKMAN. No, no. Not at all. As a matter of fact, I thought what the Senator was doing was complaining that we were too strict about the requirements, and the burden that would be placed on the Secretary.

It is not something that could be described loosely, as the Senator has described it, because it is very strict—very strict, indeed.

Mr. CLARK. Mr. President, will the Senator from Alabama yield me 1 minute on the bill?



Mr. SPARKMAN. I yield 1 minute to the Senator from Pennsylvania.

The PRESIDING OFFICER. The Senator from Pennsylvania is recognized for 1 minute.

PRIVILEGE OF THE FLOOR

Mr. CLARK. Mr. President, I understand that under the weird customs, procedures, and manners of this body, my legislative assistant is not permitted the privilege of the floor, where I desperately need him, unless he gets the floor under unanimous consent.

I ask unanimous consent that Harry Schwartz, my legislative assistant, who has given me the assistance I need on this bill, which is of great interest to me, may be permitted the privilege of the floor until debate is over on the pending bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968

Mr. JAVITS. Mr. President, it is extraordinary and remarkable to me, and again illustrates the desire of Congress to do justice rather than to exercise resentment in view of the current agitation upon this whole subject, that we are here acting, and I hope we will act completely and favorably before tomorrow night, on a really landmark housing achievement. I think the most important since the Taft-Ellender-Wagner Act of 1949, which I had the great honor of sponsoring as a young Member of the House of Representatives at that time. This is really a landmark for the low- and moderate-income groups, especially for the low-income groups, and I wish to express my appreciation and understanding of the fine job which has been done by our colleagues on the committee.

For many years in this country, we have had a panoply of housing and urban development programs designed to ameliorate conditions in blighted areas and provide housing for disadvantaged and low-income persons. Yet, solid Federal achievement in the field of housing for the disadvantaged has been pitifully inadequate when compared to the need. In the 31 years of subsidized Federal housing, the Kerner Commission reports that only about 800,000 units have been constructed for low- and moderate-income persons, with recent production averaging about 50,000 units per year. This must be compared with the fact that the use of a different technique—FHA insurance guarantees—has made possible the construction of over 10 million middle- and upper-income units within roughly the same period.

But not only has output in terms of low- and moderate-income housing been small, we must now recognize that certain of our Federal programs have actually contributed to a lessening of the housing inventory in this area. The Kerner Commission reported that the number of low- and moderate-income units demolished over the years under programs such as urban renewal has actually exceeded the number of such units constructed or rehabilitated.

The situation we now face in the area of providing housing for low-income

persons has reached alarming proportions. The census of housing in 1960 indicated that in urban areas alone 4.3 million units were considered substandard—or 10.5 percent of the entire inventory. In New York City, for example, local estimates are that in 1965 there were still 43,000 old law tenements built prior to 1901, containing approximately 950,000 persons; and the city's housing commissioner the other day stated that 800,000 of its housing units were obsolescent.

The National Advisory Commission on Civil Disorders established as a goal the building of 6 million units for low- and moderate-income families over the next 5 years. Edgar F. Kaiser, who chairs the President's Committee on Urban Housing, has stated that if we as a nation dedicate ourselves to meeting the shelter requirements for all citizens over the next 10 years, we would need to build or rehabilitate a total of 26 million housing units, of which 7 to 9 million would require some form of subsidy to provide decent housing for the urban poor.

The bill that we have before us today should do much to alleviate the grinding need for satisfactory housing for low- and moderate-income persons. First, it is targeted in on the persons and the areas which most need assistance, and should obviate some of the difficulties of the past whereby a lack of focusing on priorities led to a program benefiting largely income groups in the middle and upper levels. Second, the bill establishes a realistic goal over 10 years of 6 million new units for low- and moderate-income persons. While I think that this goal might be speeded up, especially in the later years, to make it more compatible with the recommendation of the Kerner Commission for production of 6 million new units over the next 5 years, I do think it is a realistic goal in the light of our budgetary restrictions and considering the fact that we have in the recent past been producing only about 50,000 units per year. I wholly support the administration in its objective, embodied in this bill, of attaining 1.2 million new federally assisted units in the next 3 years.

Third, this bill involves the use of important new techniques which offer the prospect of mobilizing the private sector and achieving results at least cost to the Federal Government. The interest subsidy mechanisms embodied in sections 235 and 236 should provide maximum leverage in drawing private mortgage money into serving the disadvantaged population. The National Home Ownership Foundation, established by this act, provides a compatible vehicle for work with private organizations in terms of providing technical assistance and support activities to housing programs for the disadvantaged.

This measure involves a number of programs not directly related to housing. For example, title VII of this bill increases the authorization for the urban mass transit program and extends the emergency provision of the program. I support this increase, but we should recognize that increasing and extending these provisions, alone, are not enough.

We cannot accomplish, in this bill, the task which must be accomplished—that is, a fundamental reordering of Federal transportation priorities and the achievement of that oft-stated objective of Federal policies, the establishment of unified transportation systems in the metropolitan areas of this country. We should have the flexibility to set priorities within and between varying modes of urban transportation and to allocate resources accordingly. This is more than a requirement of good management; improved and inexpensive rapid mass transportation linking slums and suburbs has become a social imperative, for most new jobs are not being created in central cities, near the ghettos. Instead, they are likely to occur in the suburbs and in outlying areas of the city. We must provide such rapid mass transportation and, if necessary, shift resources from other modes in order to pay for it.

Important problems, however, do remain. There is some question in my mind whether the interest subsidy technique alone will be sufficient to draw private money and effort into the low- and moderate-income housing field. The subsidy offers no incentive to the investor to invest in this type of housing and this type of owner or tenant, as opposed to projects aimed at middle- or upper-income groups. Rather, it merely supports a system whereby interest rates on mortgages involving low-, moderate-, and upper-income people would be roughly similar; we may ask whether on this basis an investor will channel his money into low-income projects where he has available to him more trouble-free investment possibilities. It may well be that we will learn that some further "sweetening" will be necessary to attract private money to this area.

Important questions have also been raised about the scope of coverage of the section 235 and 236 programs in terms of the income categories to which they appeal. Roughly speaking, the combination of a 20-percent—in section 235—and 25-percent—in section 236—of income payment requirement by the owner or tenant, when coupled with an income ceiling based on 70 percent of the section 221(d)(3) income ceilings, produces a target group in the income category from \$4,500 to \$6,500, depending on the costs in the area involved. Typically, the scope of coverage would be only about \$1,000 for families with two children. Members of the real estate industry and others have expressed doubts that developers would be willing to undertake a project for which the market is so limited.

Moreover, I regard as unfortunate the decision of the committee to apply a 25 percent-of-income-payment requirement on tenants under section 236. That 25 percent figure seems to be part of the American mythology—everyone should spend one-fourth of his income for housing—and is not supported by data on what people can actually afford and do afford. Figures taken on a nationwide basis, and developed in the 1960 census, show that in the \$4,000 to \$7,000 income category, the majority of families spend less than 20 percent of gross income on housing. This to me is an indication of



what people feel they can in fact afford and it provides a guide to any requirement which the committee should equitably impose in this bill. The 25-percent requirement will force people to cut back on other badly needed items in their budget, or, it will render the program inoperative since people will not be willing to pay this percentage of their incomes for mortgage payments or rent.

I would like also to emphasize that none of this new legislation will do the job without energetic and effective administration by the Department of Housing and Urban Development. That Department must clearly focus its activities on the problems of the disadvantaged and of blighted areas, as has the Senate in this bill. I would hope that high on the list of priorities for a new administration would be submission of a simplified omnibus housing measure which would try to codify and weave together in one document the vast panoply of housing and urban development measures which we have passed over the years. The very great and largely unnecessary complexity of housing programs seriously hinders implementation at the local level and renders effective congressional oversight almost impossible.

I would hope also that a new administration will submit new proposals in the area of rehabilitation, which in my view is not adequately dealt with in this bill. Our previous rehabilitation loan and grant programs have been far too restricted in both concept and funding. As of March 1 of 1967, the rehabilitation loan program in its 2½ years of existence had loaned only \$3.9 million, while the grant program had reached only 2,310 persons with a little over \$3 million. Rehabilitation techniques offer particular attraction in dealing with serious metropolitan housing problems. First, they permit a speedy attack on the problem, unhindered by many of the land acquisition and development costs associated with new construction. Second, rehabilitation cuts costs. New York City calculates that it spends around \$22,500 for every new low-income unit in a high-rise building which it erects. But a comparable size unit in a five-story walk-up can be made over for roughly \$13,000. Third, rehabilitation is suitable to a broad-scale attack. The Institute of Public Administration indicated that on the 5,000 worst blocks in New York City, there are 52,000 substandard dwellings containing 300,000 units. Of these, some 22,000 of the larger structures, containing 229,000 units or 70 percent of the units, were thought to be suitable for rehabilitation. Fourth, it is possible to avoid many of the difficult relocation problems by using the rehabilitation technique rather than demolition and new construction.

Last year, I offered a set of bills, S. 1198, S. 1199, S. 1200, and S. 1201, providing a variety of tax incentives and other forms of financial assistance to encourage rehabilitation. I regret that the committee did not include these techniques in its bill, and I will continue to put them forward in the months ahead looking toward a fresh effort in this area by a new administration.

I would like at this point to cite the several provisions in this legislation

which are the result of my amendments or of measures which I cosponsored, or which were duplicated by the administration after I had introduced legislation. First, I am particularly pleased to see the strong support given in this bill to the concept of home ownership. If we have learned anything in recent years through antipoverty efforts, it is that we must couple assistance programs with elements that provide motivation and dignity if we are to achieve an end to poverty and degradation in this society. I am proud that it was a Republican effort, in which I joined and which was led by Senator PERCY in offering last year the National Home Ownership Foundation Act, which produced this emphasis on home ownership in this bill.

Second, I am pleased to see that the committee has accepted, in section 202 (d), the provisions of S. 2802 which I introduced on December 15 of last year, allowing projects assisted by State or local financing to be eligible for rent supplements. This measure had previously passed the Senate, as part of the 1966 housing bill, but was dropped in conference. Many States, including Illinois, Pennsylvania, Massachusetts, Connecticut, New York, New Jersey, have programs making money available at lower rates of interest than is presently available in the open market to private nonprofit sponsors, dividend corporations or cooperatives. Under the existing rent supplement program, such housing is not eligible to receive rent supplement recipients, although it seems fair to say that this housing has at least as good a qualification for inclusion in that program as housing assisted under the similar Federal program—section 221(d)(3).

This proposal does not extend rent supplement coverage beyond private housing, rather, it provides a technique whereby much State and local assisted private housing can be opened up for low-income persons through the rent supplement technique. For example, under the Mitchell-Lama, some 8,000 units are being constructed annually in New York City which are presently renting to the \$7,000 to \$9,000 income category and which, through rent supplements, could be made available to lower income persons.

Third, I was pleased to see that the administration proposed and the committee accepted the section 236 program providing interest subsidies for rental housing for low-income persons. That interest subsidy approach was first supported for rental housing by me in S. 2801, introduced on December 15 of last year. Under my proposal the Government would have paid the difference between payments based on a 3-percent mortgage and those at the market rate; the committee and the administration have significantly improved that proposal by allowing a subsidy down to a 1-percent mortgage level.

Fourth, I am pleased to see the committee has once again accepted my proposal for Federal interest subsidies for the bonds of colleges and universities sold to raise funds for dormitory and college-housing construction. I was joined in that proposal last year by Sen-

ator PROXMIER, without whose strong efforts in the development and work on this program in committee it certainly would not have been possible. I am pleased that the committee has again, as it did in S. 2700 which it reported last year, made \$10 million in loan differential payments available—an amount which will support at least \$3 to \$4 million of college-housing bonds.

Fifth, I am pleased to see the committee has increased the limits relating to rehabilitation grants to individuals and families under section 115 of the Housing Act of 1949 and has also moved to increase the geographic scope of coverage of the rehabilitation loan program under section 312 of the Housing Act of 1964. I had advanced those two proposals last year in S. 1200 and S. 2800, and while the committee did not precisely use my language it has accepted analogous provisions which I regard as very useful.

Sixth, I would like to congratulate the administration and the committee for the advancement of the National Housing Corporation and partnership idea which is embodied in title IX of this bill. I, myself, first offered a proposal to establish a profitmaking Economic Opportunity Corporation to enlist the efforts of private enterprise in antipoverty activities, including housing, as far back as 1965. In the intervening years the administration has consistently opposed this idea, stating that it could not be done and that certainly no profit could successfully be made. It may well be that profit will be minimal or even entirely lacking, but the vehicle is one which merits experimentation, offers the prospect improved liaison with the private sector, and makes possible a variety of tax advantages for private investors, and I am pleased that the administration has at last accepted this type of approach in this bill.

Seventh, I am pleased to see that the committee has accepted the administration's proposal to establish a National Insurance Development Corporation, which is similar in a great many respects to the legislation which I introduced (S. 2407) to deal with the need for insurance for the many businessmen in areas threatened by civil disorders. This measure is critically important, and I would hope that it can be enacted in the very near future—splitting it off from this measure if necessary to avoid further delay.

While this legislation is entirely commendable and greatly necessary in its major outlines, there are still some provisions which I feel should be inserted at this point, and which I will now offer as amendments.

Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The BILL CLERK. On page 3, line 1, beginning with "shall," strike out all through "housing." on line 5 and insert in lieu thereof the following:

shall—

(1) require, in consultation with the Secretary of Labor, that, to the greatest extent feasible, opportunities for training and employment arising in connection with the planning, construction, rehabilitation, and operation of housing assisted under such pro-



grams be given to lower income persons residing in the area of such housing; and

(2) require, in consultation with the Administrator of the Small Business Administration, that, to the greatest extent feasible, contracts for work to be performed pursuant to such programs shall be awarded to business concerns, including but not limited to individuals or firms doing business in the fields of design, architecture, building construction, rehabilitation, maintenance, or repair, located in or owned in substantial part by persons residing in the area of such housing.

Mr. JAVITS. Mr. President, I yield myself 10 minutes.

The PRESIDING OFFICER. The Senator from New York is recognized for 10 minutes.

Mr. JAVITS. Mr. President, I should like the attention of the Senator in charge of the bill, and his counterpart on the Republican side. I have discussed three amendments with the Senator in charge of the bill which I think are satisfactory to him. I shall, of course, explain them to the Senate and hope very much that they will be satisfactory to the Senate. But he did want me to mention, when I spoke, exactly everything I had in mind on the housing bill. Thus, as he is such a warm friend and I have such high regard for him, I shall inform the Senate now of everything I have in mind, and then if he can see his way clear to accept the three amendments, it would be very gratifying to me.

Mr. President, the first of the three amendments has to do with helping small business in the ghettos. Another one involves housing assisted under State or local financing programs, such as New York State's Mitchel-Lama housing program, which would be made eligible for an interest subsidy. The third, which the Senator has also seen, relates to subsequent tenants in cooperatives taking over from the preceding tenants.

Another amendment, which is of interest to the Senator from Illinois [Mr. PERCY], who is not available at the moment, which would put the Senate on the track of trying to do something about local contractors, especially ghetto small business and minority group entrepreneurs who cannot get bonding, in the hope that some Government plan could be arranged to help them get such bonding capabilities so that they would get a better break in trying to get some of this business. That is the big problem, especially with minority people in the small business field. I shall hold that amendment until I have an opportunity to consult the Senator from Illinois [Mr. PERCY] and will not present it until he has had an opportunity to consider whether he will join me and what he would like to see done about it.

The fifth amendment is one which I have discussed with the Senator from Alabama [Mr. SPARKMAN] and the Senator from Texas [Mr. TOWER] and it is my hope that the Senator from Texas will give it earnest consideration.

It relates to the composition of the proposed Advisory Commission on Low-Income Housing. I shall not state what it is about at this time. I just identify it that way. I expect to hold that one, too, in the hope that the Senator from Texas

may give it favorable consideration, perhaps at a later time today.

Thus, there are five amendments, three of which the Senator from Alabama has seen, and two to which I have just referred and which I shall propose to the bill.

As I say, if, under those circumstances, the Senator would be prepared to give favorable consideration to the three amendments, I am prepared to proceed.

Mr. SPARKMAN. Mr. President, I have discussed these amendments with the Senator from New York and told him I would be willing, for my part, to accept these three amendments. They are amendments which make slight changes, but, at the same time, I consider effective changes, and I believe they will improve the program we are trying to carry out.

Mr. JAVITS. I thank my colleague very much.

Mr. TOWER. Mr. President, will the Senator yield?

Mr. SPARKMAN. I yield.

Mr. TOWER. Mr. President, I believe these are constructive amendments, and certainly, for my side, I am prepared to accept them. Perhaps we can vote on them in order.

Mr. SPARKMAN. Mr. President, have all three amendments been offered?

Mr. JAVITS. Not yet, but I will offer them, and then I expect to make a short statement for the RECORD.

Mr. President, I ask unanimous consent that I may call up the two additional amendments referred to and that all three may be considered en bloc.

The PRESIDING OFFICER. Is there objection? Without objection, the amendments will be considered en bloc.

The last two amendments will be stated by the clerk.

The bill clerk read the two amendments, as follows:

On page 4, strike out all of lines 16, 17 and 18 and the words "the family: *Provided*," on line 19, and insert in lieu thereof the following: "which was completed after the effective date of this section: *Provided*, that if the initial cooperative member receiving assistance payments transfers his membership and occupancy rights to another person who satisfies the eligibility requirements prescribed by the Secretary, such new cooperative member may qualify for assistance payments upon the filing of an application with respect to the dwelling unit involved to be occupied by him: *Provided further*."

On page 55, line 6, delete "section 221;" and insert the following: "section 221, or a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation, or other limited dividend legal entity, or a cooperative housing corporation, which is the owner of a rental or cooperative housing project financed under a State or local program providing assistance through loans, loan insurance, or tax abatements;"

Mr. JAVITS. Mr. President, I yield myself 10 minutes to make a brief explanation of each amendment, which Members may want to hear.

The first amendment relates to the utilization of individuals who live in slums and ghettos as employees, and of ghetto based business concerns as contractors or subcontractors, within various housing programs including public

housing and the new interest subsidy programs contemplated in this bill. That is contained at the top of page 3. The contracting opportunity, which was not in the Committee's bill, is made available, wherever feasible, to business enterprises which are located in such areas or are owned in substantial part by area residents.

As there are many of these, especially in the field of housing construction, it is a very desirable expansion of the opportunity which is contained at the top of page 3 in the current bill. It is highly desirable to stimulate such minority ownership and economic development activity in the ghettos, and this procurement preference approach permits that at negligible cost to Government.

The Senator from Pennsylvania [Mr. CLARK] and the Senator from Vermont [Mr. PROUTY], who is present on the floor, and I have learned about this from our work in the Manpower Subcommittee of the Committee on Labor and Public Welfare.

The second amendment picks up an item in the bill which is rather important. In the proposed section 235, the interest-subsidy benefits are limited to the initial member and occupant of a dwelling in a cooperative. This limitation will prevent the program from meeting the continuing need for housing low- and moderate-income families in cooperatives because it prevents a vacated dwelling unit from being sold for occupancy by a subsequent eligible family.

The amendment would correct this. A subsequent member who meets the income limits would be eligible to obtain an interest subsidy. The cooperative program differs from individual ownership because the 40-year project mortgage continues upon resales of cooperative memberships, in contrast to sales of single family homes when there is generally a new mortgage and refinancing. Moreover, upon the sale of a cooperative membership, the income limits would be enforced by the cooperative corporation to assure that the purchaser is eligible—subject to FHA supervision. Also, the cooperative has an option to repurchase at a reasonable price which the subsequent eligible purchaser can afford.

The third amendment relates to a situation in the State of New York—and it is true in several other States—in which nonprofit and other private owners of rental or cooperative housing are financed under a scheme, which in New York we call Mitchel-Lama, through direct mortgage loans or pooled mortgaged loans operated under a State or under a local program, with the funds usually raised through State or local bond sales. There is no reason why projects originating from local or State initiative of a private nature should not be eligible for the interest subsidy which is authorized by the bill. The third amendment makes them eligible for that purpose, in the same manner in which the committee accepted my amendment applying rent supplements to such programs.

Those are the three amendments. I hope the Senate will act favorably on those amendments.



I am prepared to yield back the balance of my time.

Mr. PROXMIRE. Mr. President, before I yield back the balance of my time, let me say that I have talked to Chairman SPARKMAN. He is happy to take these amendments. They are good amendments. He has no objection to them.

I yield back my time.

Mr. JAVITS. Mr. President, I ask unanimous consent that the three amendments may be considered en bloc.

The PRESIDING OFFICER. Without objection, it is so ordered.

All time on the amendments has been yielded back. The question is on agreeing to the three amendments en bloc.

The amendments were agreed to en bloc.

Mr. JAVITS. Mr. President, I thank my colleagues very much. I will reserve the other two amendments.

Mr. TOWER. Mr. President, I ask unanimous consent that I may suggest the absence of a quorum without the time consumed being charged to either side.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. TOWER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. TOWER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JAVITS. Mr. President, on behalf of myself, Senator PERCY, Senator HART, and Senator BROOKE, I send an amendment to the desk and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The BILL CLERK. The Senator from New York [Mr. JAVITS], for himself and others, proposes an amendment as follows:

On page 35, line 9, insert after "Government" and before the period the following: "and of whom four shall be representative of persons eligible for lower income housing".

Mr. PROXMIRE. Mr. President, will the Senator from New York yield?

Mr. JAVITS. I yield.

Mr. PROXMIRE. Will the Senator add my name as a cosponsor?

Mr. JAVITS. I shall be happy to.

Mr. TOWER. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. TOWER. Since I am the author of the provision in the bill providing for this Commission, I should like to say that the amendment is entirely acceptable to me. I think it is a constructive approach, and I certainly have no objection to the adoption of the amendment.

Mr. JAVITS. I am very grateful. I yield myself 5 minutes.

Mr. President, the whole point here is to try to give recognition to those who will be benefited by the low-income housing through suitable representatives upon the one Commission which is established under the bill, which affords an advisory body to the President of the United States and to the Secretary of

Housing and Urban Development on this question of low-income housing. It is really the first, and a most desirable, effort to let representatives of those who are directly affected—to wit, those eligible for low income housing—serve upon this very high level and very important Commission.

I think it will be extremely helpful. I think it represents a question of principle and policy of the highest importance with respect to the new concept toward which we are moving in so many areas of our national life, of giving people an opportunity to sit in on the decision making process, and at least participate, though they do not control it. In this case it would be four members out of twenty-one.

Therefore, I express my deep gratitude to the manager of the bill and to the ranking minority member for their willingness to accept the amendment and for their fine understanding of the reason which dictated our proposal.

One last thing, Mr. President. I am advised that in the amendment which the committee accepted, at page 55, line 6 of the bill, there is a clause to be added at the request of HUD, in order to perfect the legal part of it, and that the clause which is to be added to the amendment reads as follows: "and which, prior to completion of construction or rehabilitation, is approved for receiving the benefits of this section."

I ask unanimous consent that that may be added to the amendment as adopted.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JAVITS. Mr. President, I further ask unanimous consent that the name of the Senator from New Jersey [Mr. CASE] may be added to the pending amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JAVITS. I am prepared now to yield back the remainder of my time.

Mr. PROXMIRE. Mr. President, before I yield back the remainder of my time, I think it is very appropriate that this amendment should be added to the Tower provision in the bill—the so-called Tower provision, though the Senator from Texas is responsible for many features of the pending measure—because he has fought harder than any other member of the committee for making this housing bill help those who need it most—the people with low incomes.

The Javits amendment is right in line with what the Senator from Texas has worked very hard for.

Mr. JAVITS. Mr. President, just one further statement in behalf of myself.

Senator Tower, in a sense, succeeded me on the committee, and I cannot refrain from telling him with what satisfaction I have seen him develop as a leader on the committee. Many think of him as a conservative, but, like the late great Senator Taft of Ohio, he has grasped and acted upon the problem of housing in a really unparalleled way of statesmanship, and I heartily join the Senator from Wisconsin in noting that fact.

Mr. TOWER. Mr. President, I express

my deep appreciation to both my colleagues, the Senator from Wisconsin and the Senator from New York, for their generous comments. I will try to merit their praise.

Mr. JAVITS. Mr. President, I ask unanimous consent that the name of the Senator from Pennsylvania [Mr. SCOTT] be added as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JAVITS. I yield back the remainder of my time.

Mr. PROXMIRE. I yield back the remainder of my time.

The PRESIDING OFFICER. All remaining time having been yielded back, the question is on agreeing to the amendment of the Senator from New York.

The amendment was agreed to.

Mr. TOWER. I move to reconsider the vote by which the amendment was agreed to.

Mr. JAVITS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

#### MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Hackney, one of its reading clerks, announced that the House had passed the following bills of the Senate, each with an amendment, in which it requested the concurrence of the Senate:

S. 1941. An act to prevent, abate, and control air pollution in the District of Columbia, and for other purposes; and

S. 1999. An act to amend the District of Columbia Public Education Act.

The message also announced that the House had passed the following bills, in which it requested the concurrence of the Senate:

H.R. 14907. An act to amend the Federal Credit Union Act;

H.R. 17324. An act to extend and amend the Renegotiation Act of 1951; and

H.R. 17417. An act to prohibit extortion, or the transmission of threats to persons or property, by means of telephone, telegraph, radio, oral, or written communications, or otherwise, in the District of Columbia.

#### HOUSE BILLS REFERRED

The following bills were severally read twice by their titles and referred, as indicated:

H.R. 14907. An act to amend the Federal Credit Union Act; to the Committee on Banking and Currency.

H.R. 17324. An act to extend and amend the Renegotiation Act of 1951; to the Committee on Finance.

H.R. 17417. An act to prohibit extortion, or the transmission of threats to persons or property, by means of telephone, telegraph, radio, oral, or written communications, or otherwise, in the District of Columbia; to the Committee on the District of Columbia.

#### MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the Senate by Mr. Geisler, one of his secretaries.



## HOUSING AND URBAN DEVELOPMENT ACT OF 1968

The Senate resumed the consideration of the bill (S. 3497) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development.

AMENDMENT NO. 821

Mr. PROXMIRE. Mr. President, I call up my amendment No. 821, and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The bill clerk proceeded to read the amendment.

Mr. PROXMIRE. I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. PROXMIRE's amendment is as follows:

On page 49, after line 23, insert a new section as follows:

"NEW TECHNOLOGIES IN THE DEVELOPMENT OF HOUSING FOR LOWER INCOME FAMILIES

"SEC. 110. (a) In order to encourage the use of new housing technologies in providing decent, safe, and sanitary housing for lower income families; to encourage large-scale experimentation in the use of such technologies; to provide a basis for comparison of such technologies with existing housing technologies in providing such housing; and to evaluate the effect of local housing codes and zoning regulations on the large-scale use of new housing technologies in the provision of such housing, the Secretary of Housing and Urban Development (hereinafter referred to as the 'Secretary') shall institute a program under which qualified organizations, public and private, will submit plans for the development of housing for lower income families, using new and advanced technologies, on Federal land which has been made available by the Secretary for the purposes of this section, or on other land where (1) local building regulations permit the construction of experimental housing, or (2) State or local law permits variances from building regulations in the construction of experimental housing for the purpose of testing and developing new building technologies.

"(b) The Secretary shall approve those plans utilizing new housing technologies which are submitted to him pursuant to the program referred to in subsection (a) and which he determines are most promising in furtherance of the purposes of this section. In making such determination the Secretary shall consider—

"(1) the potential of the technology employed for producing housing for lower income families on a large scale at a moderate cost;

"(2) the extent to which the plan envisages environmental quality;

"(3) the possibility of mass production of the technology; and

"(4) the financial soundness of the organization submitting the plan, and the ability of such organization, alone or in combination with other organizations, to produce at least 1,000 dwelling units a year utilizing the technology proposed.

"(c) In approving projects for mortgage insurance under section 233(a)(2) of the National Housing Act, the Secretary shall seek to achieve the construction of at least 1,000 dwelling units a year over a five-year period for each of the various types of technologies proposed in approved plans under subsection (b). The Secretary shall evaluate each project with respect to which assistance

is extended pursuant to this section with a view to determining (1) the detailed cost breakdown per dwelling unit, (2) the environmental quality achieved in each such unit, and (3) the effect which local housing codes and zoning regulations have, or would have if applicable, on the cost per dwelling unit.

"(d) Notwithstanding the provisions of the Federal Property and Administrative Services Act of 1949, any land which is excess property within the meaning of such Act and which is determined by the Secretary to be suitable in furtherance of the purposes of this section may be transferred to the Secretary upon his request.

"(e) The Secretary shall, at the earliest practicable date, report his findings with respect to projects assisted pursuant to this section (including evaluations of each such project in accordance with subsection (c)), together with such recommendations for additional legislation as he determines to be necessary or desirable to expand the available supply of decent, safe, and sanitary housing for lower income families through the use of technologies the efficacy of which has been demonstrated under this section.

"(f) Section 233 of the National Housing Act is amended—

"(1) by inserting '(1)' after 'Sec. 233. (a)' and by adding at the end of subsection (a) a new paragraph as follows:

"(2) The Secretary is further authorized to insure and to make commitments to insure, under this section, mortgages (including advances on mortgages during construction) secure by properties in projects to be carried out in accordance with plans approved by the Secretary under section 110 of the Housing and Urban Development Act of 1968; and

"(2) by inserting at the end of subsection (c) a new sentence as follows: 'Any authority which the Secretary may exercise in connection with a mortgage, or property covered by a mortgage, insured under any other section of this title (including payments to reduce rentals for, or to facilitate home ownership by, lower income families) may be exercised in connection with a mortgage, or property covered by a mortgage, meeting the requirements of such other section (except as specified in subsection (b)), which is insured under this section to the same extent and in the same manner as if the mortgage insured under this section was insured under such other section.'

On page 23, line 19, after "223(e)," insert "233(a)(2)."

On page 24, line 6, after "223(e)" insert "or 233(a)(2)."

On page 24, line 16, after "223(e)," insert "233(a)(2)."

Mr. PROXMIRE. Mr. President, on page 2, line 16, I modify my amendment to insert, after the word "approve", "not more than 5", and to strike the word "those".

The PRESIDING OFFICER. The amendment will be so modified.

Mr. PROXMIRE. Mr. President, this amendment was inspired by the distinguished former Senator from Illinois, Hon. Paul Douglas, who, as we all know, has been working, as his major occupation—though he has had many responsibilities since he left the Senate—as the head of a Commission on Housing appointed by President Johnson.

One of the important recommendations of the Douglas commission will be that Congress and the housing industry work hard to improve technology in housing, so that decent housing can be brought within the reach of the American people without an enormous burden on them and to reduce as much as possible the

tremendous burden on the Federal budget.

Former Senator Douglas has pointed out that, more than any other industry, housing is characterized by rising costs and low productivity increases; also, that local building codes often hamper the development of new technology. Consequently, there are large and efficient industrial firms, with proven know-how, that have not been attracted to housing construction.

This amendment would help in this respect by providing that HUD would have the opportunity—and it is permissive—to engage in large-scale experimentation, with groups of at least a thousand units, so that the economies of scale necessary to achieve the desired result could be realized.

Senator Douglas has stated that his experience is that where experimentation has been made by our Housing Administrations in the past, they have confined themselves to such a small number of houses that they have not been able to prove out new technology. For example, the existing FHA experimental housing program has only constructed 322 projects which consist of 1,494 units, or an average of five units per project.

The need to establish an effective experimental housing program was made clear in testimony presented to the Housing Subcommittee by former Senator Paul H. Douglas, now Chairman of the President's Commission on Urban Problems. More than any other industry, housing is characterized by rising costs and low productivity increases. Local building codes often hamper the development of new technology. Large and efficient industrial firms with proven know-how have not been attracted to housing construction. The amendment would implement the recommendations of former Senator Douglas by giving the Secretary of HUD additional authority to develop new housing technology.

The amendment permits the Secretary to insure mortgages on housing constructed for the purpose of developing new housing technology. In providing such mortgage insurance, the Secretary would have the same authority he would have if the project met the requirements of another HUD housing program such as rent supplements; the new home ownership program under section 235 of the Housing Act; the new rental interest subsidy program under section 236; and the existing 221(d)(3) program for low- and moderate-income families. Thus the authority to make payments for rent supplements or for interest subsidy payments or to purchase mortgages through FNMA would be extended to the new experimental housing program. Rather than set up a separate new program with additional financing, the amendment would rely upon the authorities and funding already provided under existing housing programs. The Secretary would have the authority to use these programs for developing new technology as well as for providing housing.

In approving new technology projects, the Secretary would be guided by the following criteria:



First. The project must improve building technology for housing for lower income families;

Second. The project must provide for environmental quality;

Third. The project must lead to the possibility of mass production techniques;

Fourth. The organization submitting the project must have the financial and technical capability to produce at least 1,000 units a year.

The housing insured under this authority would be constructed on Federal land or on land on which local building codes permit the construction of experimental housing. This would demonstrate what kind of cost reductions are possible in the absence of restrictive building codes.

By focusing on large-scale projects, the proposed amendment is expected to lead to substantial breakthroughs in housing technology. Additional testimony presented to the committee by Edgar F. Kaiser and Walter Reuther indicates that substantial cost reductions in housing will not be possible unless large-scale construction techniques are employed. Although HUD already has an experimental housing program, it has operated on a small scale, with the result that substantial cost reductions have not been achieved.

If a larger scale experimental housing program is conducted, some of the larger industrial firms may be expected to enter the housing field. Should substantial economies and technological improvements be realized, the cost of the administration's 10-year housing program can be considerably reduced. Thus, by using existing housing programs for experimental purposes, the potential exists for making more lower income housing available at lower cost.

It should be emphasized that the authority conferred upon the Secretary is permissive and not mandatory. The Secretary is given the authority to insure mortgages for projects which seek to develop new technology, but he is not required to use such authority. It might develop that sponsors would not submit enough promising or financially sound projects. If this were the case, the authority would remain inactive. However, if a potential for developing new building technology does exist, HUD would be given the authority to exploit it. Thus, under the proposed amendment, we have everything to win and nothing to lose.

To summarize, the following points should be emphasized:

First. The amendment does not require additional funds. It utilizes the funds in existing programs.

Second. The amendment offers the possibility of significantly lowering building costs and thus future requirements for Federal aid.

Third. The proposed experimental housing program would be organized on a large scale—for example, at the rate of 1,000 units a year—to foster mass production techniques and attract large industrial investors.

Fourth. The authority conferred on the Secretary is permissive.

Mr. President, I have discussed the amendment with the chairman of the committee and he supports the provision. I have discussed it also with the distinguished ranking minority member of the committee.

Mr. TOWER. Mr. President, will the Senator yield for a question?

Mr. PROXMIRE. I yield.

Mr. TOWER. Mr. President, I agree with this concept. The only question I have to raise is as to what difficulties we may run into relative to local zoning ordinances and codes.

Mr. PROXMIRE. The answer is that the housing would either be constructed on Federal land or in areas where, in order to have an opportunity to have the housing constructed, the local authorities are willing and able to waive the code restrictions.

Mr. TOWER. I think it should be emphasized that this is not an attempt to get around local zoning or construction codes of any kind.

Mr. PROXMIRE. No, indeed. I think that is an excellent point, because these codes have very constructive uses. However, they have been used at times to prevent technological advance.

This is an attempt to show what can be done in the event we waive the restrictive elements so that the housing can be constructed. The waiving will be done by those who have jurisdiction.

Mr. President, I yield back the remainder of my time.

Mr. TOWER. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time having expired, the question is on agreeing to the amendment of the Senator from Wisconsin.

The amendment was agreed to.

Mr. TOWER. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. CLARK. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. CLARK. Mr. President, I send an amendment to the desk and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

On page 129, strike out line 19.

On page 129, line 21, insert "(a)" after "SEC. 604."

On page 129, after line 23, insert the following:

"(b) Section 702 of such Act is amended by adding at the end thereof a new subsection as follows:

"(d) In the administration of this section the Secretary shall require that, to the greatest extent practicable, new job opportunities be provided for unemployed or underemployed persons in connection with projects the financing of which is assisted under this section."

The PRESIDING OFFICER. Does the Senator want the amendments considered en bloc?

Mr. CLARK. There is only one amendment.

The PRESIDING OFFICER. It deals with different parts of the bill.

Mr. CLARK. Mr. President, I ask

unanimous consent that the amendments be considered en bloc.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CLARK. Mr. President, my amendment will help provide jobs for the unemployed and underemployed people in our economy. My amendment would require the Secretary of Housing and Urban Development to the extent practicable to provide new job opportunities for unemployed or underemployed persons in connection with projects for financing water or sewage facilities under section 702.

Sanitation control is one of the few sectors in our economy which requires large proportions of unskilled labor. Indeed, of all the major types of construction activity, sanitation control requires the highest proportions of unskilled labor. Department of Labor studies indicate that common laborers account for 40 percent of the man-hours and 50 percent of the wages for construction of sewage treatment plants and lines. In short, sanitation control can be a formidable tool in job creation for the hard-core unemployed.

My amendment extends the concept that the Senate Banking and Currency Committee has already endorsed in section 3 of the bill. Section 3 provides that in the large housing programs the Secretary of Housing and Urban Development shall require to the greatest extent feasible, opportunities for employment arising in connection with construction or rehabilitation of housing for lower income persons residing in the area.

Unemployment rates in this country have been dropping significantly in recent years and months. Along with this trend, however, our economy has been eliminating unskilled jobs at a tremendous rate.

The President's manpower report for this year pointed out that despite our recent rapid economic growth, "there were virtually no additional opportunities for unskilled and semiskilled workers."

This declining demand for unskilled workers is taking place in the face of continued high unemployment rates for certain groups. Teenage employment rose from 11.6 percent in the beginning of last year to 14 percent in the last quarter. The rate of Negro joblessness continues to be more than twice the rate for white workers. The unemployment rate for Negro teenagers is 26.5 percent.

But unemployment rates mask the number of workers who are trapped in poverty. There are many people who work full time who earn less than the poverty level income. When combined with the unemployed this concept is called subemployment. The subemployment rates in our cities are shocking. For example, the subemployment rate in Philadelphia is 34 percent, in St. Louis 39 percent, in Harlem 33 percent, and in New Orleans 45 percent. The amendment would include the underemployed who make up the bulk of the workers in the subemployment rate.

My Subcommittee on Employment, Manpower, and Poverty has just com-



pleted extensive hearings on employment opportunities for the poor. The concept of special job opportunities for the disadvantaged in the public sector, as proposed by my amendment, has been endorsed by a wide array of organizations such as the Urban Coalition, the National Advisory Commission on Civil Disorders, and the National Advisory Commission on Rural Poverty. What I am proposing is not to create make-work, but rather to provide the people who most need jobs the best chance to be employed in this established program.

The Senate has already endorsed this principle by voting in favor of Senator JAVITS' amendment to the Defense procurement and research and development authorization for fiscal year 1969. The intent of the Javits amendment was identical to mine and it was approved by a wide margin.

Mr. President, I have discussed the pending amendment with the manager of the bill who tells me he is happy to accept it. I have given a brief explanation of the amendment to the ranking minority member, to whom I am now happy to yield.

Mr. TOWER. Mr. President, the Senator anticipates the use of indigenous workers and not the importation of workers from other areas?

Mr. CLARK. They will be right from the locality where the sewage treatment plant would be.

Mr. TOWER. They would be indigenous workers?

Mr. CLARK. The Senator is correct.

Mr. TOWER. Mr. President, I agree to accept the amendment.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. CLARK. I yield.

Mr. JAVITS. Mr. President, I am grateful to the Senator from Pennsylvania for joining as a cosponsor of my amendment. I would like the privilege of joining with the Senator as a cosponsor of the pending amendment.

Mr. CLARK. Mr. President, I ask unanimous consent that the name of the senior Senator from New York [Mr. JAVITS] be listed as a cosponsor of my amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CLARK. Mr. President, I yield back the remainder of my time.

Mr. PROXMIRE. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time having expired, the question is on agreeing en bloc to the amendments of the Senator from Pennsylvania.

The amendments were agreed to.

Mr. CLARK. Mr. President, I move to reconsider the vote by which the amendments were agreed to.

Mr. BYRD of West Virginia. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. PROXMIRE. Mr. President, I yield 3 minutes on the bill to the distinguished Senator from Pennsylvania.

The PRESIDING OFFICER. The Senator from Pennsylvania is recognized for 3 minutes.

Mr. CLARK. Mr. President, I support the President's omnibus housing bill, as reported by the Committee on Banking and Currency.

The bill's emphasis on homeownership for our less affluent citizens is particularly gratifying. For me this bill represents the culmination of an effort begun nearly a year ago when I introduced S. 2115, a bill to make the benefits of FHA home financing equally available to all potential homebuyers.

That bill, with minor modifications has been incorporated into sections 102 and 104 of the pending bill. It bears the endorsements of the Committee on Banking and Currency and the Johnson administration. I hope that it, together with the rest of this admirable legislative package, will promptly be approved by both houses and signed into law by the President.

The new program, entitled, "Special Mortgage Insurance Assistance," which is authorized by section 102, is essentially a modest one. No interest rate subsidy is involved. No new private or semipublic corporation need be created to make it effective. It is not intended as a substitute for public housing, rent supplements, or subsidized interest rate programs.

What it will do, at the present mortgage limit, is to permit 15,000 families who would not have been able to get FHA's help in financing their home purchase, to have that very substantial advantage. And with the counseling services which would be provided as an integral part of this program, I am confident that most, if not all, of these families will be able to meet their payments and to buy and own their own houses, and obtain all the pride and satisfaction that home ownership can provide.

I want to make it crystal clear, however, that this program is not being designed as simply another way for the FHA to make money. We expect the FHA to take risks, and we expect some of those risks to be costly. That is why we are setting up a special risk insurance fund, which is authorized in section 104. The FHA is put on notice here and now that what Congress intends is to provide a chance for home ownership for people who are not normally considered good risks. In short, we are interested in homeownership, not profits for FHA.

Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. PROXMIRE. I suggest the absence of a quorum and ask unanimous consent that the time not be charged to either side.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore (Mr. METCALF). Without objection, it is so ordered.

Mr. BAYH. Mr. President, I send an amendment to the desk and ask that it be read.

The ACTING PRESIDENT pro tempore. The amendment will be stated.

The assistant legislative clerk read the amendment, as follows:

On page 214, between lines 3 and 4, insert the following new subsection:

"(f) No person who has been convicted of committing a felony during said riot or civil disorder shall be permitted to benefit from disaster relief provisions of the disaster relief laws of the United States."

Mr. BAYH. Mr. President, yesterday we were involved in a rather lengthy colloquy concerning whether the disaster provisions of the bill before the Senate should be expanded to provide relief for manmade disasters such as those which, unfortunately, have confronted us in some of our major cities during the past summer or two. Several Senators were of the opinion that the unfortunate and innocent people who comprised the large bulk of the victims should have the advantage of OEO funds as well as Small Business and housing funds.

After the debate was concluded, a compromise was reached, in which, as I recall, the first provision was dropped; in other words, public funds would be denied in the event of riots, but loans through SBA and FHA would be permitted.

It seems to me that during the colloquy there was no dispute about the relative merit of the amendment I have presented, which is to the effect that regardless of what disorder provisions one tried to take advantage or benefit from, he should not be permitted to benefit from the disaster provisions if he had a part in starting or took an active part in carrying on the riot or disaster.

All my amendment would do would be to provide that one may not receive benefits from the disaster provisions in the event that he is convicted and implicated as having taken part in the riot.

Mr. TOWER. Mr. President, will the Senator yield?

Mr. BAYH. I yield.

Mr. TOWER. For our side, we are perfectly willing to accept this amendment, Mr. President.

Mr. PROXMIRE. Mr. President, we have no objection. I believe it is a good amendment. We discussed it yesterday. I yield back the remainder of my time.

Mr. BAYH. I yield back the remainder of my time.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Indiana.

The amendment was agreed to.

The ACTING PRESIDENT pro tempore. The bill is open to further amendment.

Mr. TOWER. Mr. President, I ask unanimous consent that I may suggest the absence of a quorum, without the time being charged to either side.

The ACTING PRESIDENT pro tempore. Is there objection? The Chair hears none, and it is so ordered.

The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.



The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

#### ORDER OF BUSINESS

Mr. PROXMIRE. Mr. President, I yield 7 minutes to the distinguished Senator from Virginia.

The ACTING PRESIDENT pro tempore. The Senator from Virginia is recognized for 7 minutes.

#### INTEREST ON THE NATIONAL DEBT

Mr. BYRD of Virginia. Mr. President, the Treasury Department announced today that the interest on the national debt for the current fiscal year will be \$1.1 billion more than it was last year. Stated another way, the interest on the national debt for the current fiscal year, which ends next month, will be \$14.5 billion. The increase of \$1.1 billion for that one item is a significant and important increase.

Mr. President, let us put this matter in perspective. Let us judge the difficulty of raising \$1.1 billion.

I wish to cite a few figures.

Let us assume that Congress were to pass legislation confiscating all income of every individual over \$50,000—\$100,000 on a joint return. If Congress were to confiscate all income of every individual over \$50,000—\$100,000 on a joint return—and if that money were paid into the Federal Treasury, how much money would that bring in?

The additional revenue gained would be \$700 million, or far less than just the increase in the interest on the national debt which the taxpayers of this Nation will pay this fiscal year compared to what they paid last fiscal year.

I think it important that those of us who are in Congress recognize and realize that the bulk of the taxes in our Nation come out of the pockets of the wage earners.

The bulk of the taxes come out of the pockets of those who are in the low- and middle-economic groups.

Seventy-two percent of all the income taxes paid by individuals to the Federal Government are paid by those who earn less than \$15,000; 22 percent of the taxes are paid by those who have net taxable income of less than \$7,000; and 50 percent of the income taxes are paid by those with incomes between \$7,000 and \$15,000.

Mr. President, this is a significant announcement that the Treasury Department has made today to the effect that interest on the national debt for the current year which ends next month will be \$14.5 billion, up \$1.1 billion from the year before.

All of this suggests to me that the Congress and the President jointly must reduce this Federal spending, or the individual citizen of this Nation will be in very bad condition. Not only will taxpayers be hard hit, but all citizens will feel the impact, because if we keep piling up these deficits every citizen will be hit by severe inflation.

According to the ticker tape just a few moments ago the Government announced that the Consumer Price Index

for the past month increased three-tenths of 1 percent, which means every consumer, every housewife, every individual in our Nation is paying three-tenths of 1 percent more through inflation than they paid before—and that is just for 1 month.

Mr. LAUSCHE. Mr. President, will the Senator yield for a question?

Mr. BYRD of Virginia. I am glad to yield to the Senator from Ohio.

The ACTING PRESIDENT pro tempore. The Senator's 7 minutes have expired.

Mr. PROXMIRE. Mr. President, I yield 5 additional minutes to the Senator.

The ACTING PRESIDENT pro tempore. The Senator from Virginia is recognized for 5 additional minutes.

Mr. LAUSCHE. Mr. President, the increase in the interest obligation for the fiscal year 1968 has been \$1.4 billion more than last year?

Mr. BYRD of Virginia. It has been \$1.1 billion more than last year.

Mr. LAUSCHE. That means an increase of approximately 7 percent, or \$1.1 billion as to \$14 billion.

What would the Senator say with respect to the anticipated increase in the interest obligation for 1970? It will run to \$15 billion.

Mr. BYRD of Virginia. In the new fiscal year, it will run above \$15 billion.

Mr. LAUSCHE. Obviously, the Senator from Virginia is disturbed about the tremendous interest obligation which is rising rather than going down either through the imposition of taxes or the reduction in spending.

Mr. BYRD of Virginia. That is correct.

Mr. LAUSCHE. I merely wanted to say to the Senator from Virginia that the astonishing thing to me is that on the floor of the Senate so little is being said about the interest obligation, the debt obligation, and the deficits, yet so much is being said and done toward increasing spending.

My question is, in the face of what the Senator from Virginia has said about the interest obligation, deficits, and the report of the economic council that the cost of living has gone up three-tenths of 1 percent this last month, what are we to anticipate as time goes on unless we change what we are doing?

Mr. BYRD of Virginia. In reply to the Senator, let me say that I think we can anticipate more inflation, more difficulty for the average citizen, more difficulty for the housewife, and more difficulty for the wage earner. Unless the Government is willing to get its financial house in order, we will face a financial crisis. The figures released today amply demonstrate that point.

Mr. LAUSCHE. What will happen to the person receiving an annuity, to the person receiving social security payments, to the person who thriftily put his money aside for the purpose of taking care of him in his old age, for the person who purchased Government bonds patriotically, under the conviction that he would get back every penny he paid for them? What will become of their purchasing power unless we put our

husbandry and the management of our fiscal and financial affairs in good order?

Mr. BYRD of Virginia. They will be hurt, and hurt badly.

I am not concerned about the wealthy. They can take care of themselves. But I am concerned about those to whom the Senator referred, the ones who will be hurt the most by this severe inflation—those of moderate means and those in fixed income.

#### TRADE EXPANSION ACT OF 1968—MESSAGE FROM THE PRESIDENT (H. DOC. NO. 322)

The ACTING PRESIDENT pro tempore (Mr. METCALF). The Chair lays before the Senate a message from the President on the Trade Expansion Act of 1968. Without objection, the message will be printed in the RECORD, without being read, and will be appropriately referred.

The message from the President was referred to the Committee on Finance, as follows:

*To the Congress of the United States:*

A nation's trade lines are its life lines. Open trade lines and active commerce lead to economic health and growth. Closed trade lines end in economic stagnation.

Franklin D. Roosevelt recognized these truths more than 30 years ago, when the Nation and the world were in the grip of depression.

On that March day in 1934 when he asked the Congress to pass the historic Reciprocal Trade Act, he pointed to America's declining world trade and what it meant to the Nation: "Idle hands, still machines, ships tied to their docks."

That Act set in motion three and a half decades of descending tariff barriers and rising world trade. Our producers and farmers found new markets abroad, and American exports multiplied twenty-fold.

This era of commercial progress was capped by the Kennedy Round Agreements reached at Geneva last year—the greatest success in all the history of international trade negotiations.

When I reported to the Congress last November on the Kennedy Round, I said it would mean new factories, more jobs, lower prices to families, and higher incomes for American workers and for our trading partners throughout the world.

Already, through these Agreements, tariff barriers everywhere are falling, bringing savings to consumers, and opening new overseas markets for competitive producers.

But the problems and the promises of world trade are always changing. We must have the tools not only to adjust to change, but to turn change to our advantage.

To prepare for the era of world trade unfolding before us now, I submit to the Congress today the Trade Expansion Act of 1968. This measure will:

—maintain our negotiating authority to settle—advantageously—trade problems and disputes.



- carry out the special Geneva agreement on chemicals and other products.
- improve the means through which American firms and workers can adjust to new competition from increased imports.

## OUR INTERNATIONAL RESPONSIBILITIES

The Trade Expansion Act of 1968 will strengthen relations with our trading partners in three ways.

First, it will extend through June 30, 1970 the President's authority to conduct negotiations for tariff reductions. This authority was contained in provisions of the Trade Expansion Act of 1962 that have expired.

Most of this authority was used in negotiating the Kennedy Round. The unused portion of that authority will give the President the flexibility to adjust tariff rates as future developments might require.

For example, the United States might find it necessary to increase the duty on a particular article—as the result of an "escape clause" action or a statutory change in tariff classification. In such event, we would be obliged to give other nations compensatory tariff adjustments for their trade losses.

Without this authority, we would invite retaliation and endanger American markets abroad.

*I recommend that the President's authority to make these tariff adjustments be extended through June 30, 1970.*

Second, the Trade Expansion Act of 1968 will eliminate the American Selling Price system of customs valuation. This action is necessary to carry out the special agreement reached during the Kennedy Round.

The American Selling Price system has outlived its purpose. It should be ended.

The generally accepted method of valuing goods for tariff purposes—which we and all our trading partners employ—is to use the actual price of the item to the importer.

But many years ago, to protect a few of our fledgling industries, we imposed on competing foreign goods—in addition to a substantial tariff—the special requirement that their tariff value be determined by American prices. Today this unusual system often produces tariff protection of more than 100 percent of the import cost of the product.

Such excessive protection is both unfair and unnecessary.

*This system is unfair because it:*

- Gives to a few industries a special privilege available to no other American business.
- Rests on an arbitrary method of valuation which no other nation uses.
- Diverges from the provisions of the General Agreement on Tariffs and Trade.
- Imposes an unjustified burden on the U.S. consumer.

*This system is unnecessary because the few industries which it covers no longer need special Government protection.*

It applies primarily to the chemical industry in the benzenoid field. Yet chemicals, and benzenoids in particular, are among our most efficient and rapidly expanding industries. They have done

well at home. They have done well in the international market. They are in a strong position to face normal competition from imports.

A supplementary agreement was negotiated at Geneva which will lower foreign tariffs on American chemicals and reduce certain non-tariff barriers—road taxes and tariff preferences—on American automobiles and tobacco. To receive these important concessions, the United States must eliminate the American Selling Price valuation system and thereby give foreign producers of chemicals and a few other products normal access to our markets. This bargain is clearly in our national interest—good for our industries, good for our workers, and good for our consumers.

*I recommend that the Congress eliminate the American Selling Price system to remove inequities in our tariffs and enable us to take advantage of concessions negotiated in the Kennedy Round.*

Third, the Trade Expansion Act of 1968 will provide for specific funding of our participation in the General Agreement on Tariffs and Trade.

This is the procedure we follow in meeting our financial responsibilities to all other international organizations.

The General Agreement on Tariffs and Trade has become the most important forum for the conduct of international trade relations. The Kennedy Round took place under its auspices. Yet since 1947, we have financed our annual contribution to this Agreement through general contingency funds rather than through a specific authorization.

*I recommend that the Congress authorize specific appropriations for the American share of the expenses for the General Agreement on Tariffs and Trade.*

## OUR NEEDS AT HOME

When trade barriers fall, the American people and the American economy benefit. Open trade lines:

- Reduce prices of goods from abroad.
- Increase opportunities for American businesses and farms to export their products. This means expanded production and more job opportunities.
- Help improve the efficiency and competitive strength of our industries. This means a higher rate of economic growth for our nation and higher incomes for our people.

Some firms, however, have difficulty in meeting foreign competition, and need time and help to make the adjustment.

Since international trade strengthens the nation as a whole, it is only fair that the government assist those businessmen and workers who face serious problems as a result of increased imports.

The Congress recognized this need—in the Trade Expansion Act of 1962—by establishing a program of trade adjustment assistance to businessmen and workers adversely affected by imports.

Unfortunately, this program has been ineffective. The test of eligibility has proved to be too rigid, too technical, and too complicated.

As part of a comprehensive trade expansion policy, I propose that we make

our adjustment assistance program fair and workable.

*I recommend that Congress broaden the eligibility for this assistance. The test should be simple and clear: relief should be available whenever increased imports are a substantial cause of injury.*

*I intend to pattern the administration of this program on the Automotive Products Trade Act of 1965. Determinations of eligibility will be made jointly by the Secretaries of Labor, Commerce, and Treasury.*

The adjustment assistance provisions of Automotive Product Trade Act of 1965 have been successful. They have well served American automobile firms and their workers as we have moved to create an integrated U.S.-Canadian auto market.

These provisions will expire on June 30.

*I recommend that the Congress extend the adjustment assistance provisions of the Automotive Products Trade Act through June 30, 1971.*

## TRADE INITIATIVES FOR THE FUTURE

The measures I have recommended today will help us carry forward the great tradition of our reciprocal trade policy.

But even as we consolidate our past gains, we must look to the future.

*First and foremost, we must ensure that the progress we have made is not lost through new trade restrictions.*

One central fact is clear. A vicious cycle of trade restrictions harms most the nation which trades most. And America is that nation.

At the present time, proposals pending before the Congress would impose quotas or other trade restrictions on the imports of over twenty industries. These measures would cover about \$7 billion of our imports—close to half of all imports subject to duty.

In a world of expanding trade, such restrictions would be self-defeating. Under international rules of trade, a nation restricts imports only at the risk of its own exports. Restriction begets restriction.

In reality, "protectionist" measures do not protect any of us:

- They do not protect the American working man. If world markets shrink, there will be fewer jobs.
- They do not protect the American businessman. In the long run, smaller markets will mean smaller profits.
- They do not protect the American consumer. He will pay more for the goods he buys.

The fact is that every American—directly or indirectly—has a stake in the growth and vitality of an open economic system.

Our policy of liberal trade has served this nation well. It will continue to advance our interests in the future.

But these are critical times for the nation's economy. We have launched a series of measures to reduce a serious balance of payments deficit. As part of this program, I have called for a major long-run effort to increase our trade surplus. This requires that we push ahead with actions to keep open the channels of trade.



Many of our trading partners have indicated a willingness to cooperate in this effort by accelerating some of their tariff reductions agreed to in the Kennedy Round, and by permitting the United States to defer a portion of our tariff reductions. Furthermore, a number of Western European countries are now taking more active steps to achieve a higher rate of economic growth. This promises to increase the demand for our exports and improve our trade position.

To take full advantage of the expanded trading opportunities that lie ahead, we must improve the competitive position of American goods. *Passage of the anti-inflation tax is the most critical action we could take now to strengthen our position at home and in world markets.* The tax measure I have recommended will help prevent destructive price increases—which can sap the vitality and strength of our economy. Continued rapid increases in our prices would mean fewer exports and higher imports.

*Second, other nations must join with us to put an end to non-tariff barriers.*

Trade is a two-way street. A successful trade policy must be built upon reciprocity. Our own trade initiatives will founder unless our trading partners join with us in these efforts.

The Kennedy Round was an outstanding example of international cooperation. But major non-tariff barriers continue to impede the free flow of international commerce. These barriers now block many U.S. products from competing for world markets.

Some non-tariff barriers violate provisions of the General Agreement on Tariffs and Trade. We will step up our efforts to secure the prompt removal of these illegal restrictions.

Other non-tariff barriers may not be illegal, but they clearly hamper and hinder trade. Such barriers are found in all countries; the American Selling Price system is an example of one of our non-tariff barriers.

We have initiated a major international study to assess the effect of non-tariff barriers on world trade.

We have already begun action in the General Agreement on Tariffs and Trade and other international organizations to deal with some of these non-tariff barriers.

Efforts such as these are an important element in our trade policy. All sides must be prepared to dismantle unjustified or unreasonable barriers to trade.

Reciprocity and fair play are the essential standards for international trade. America will insist on these conditions in all our negotiations to lower non-tariff barriers.

*Third, we must develop a long-range policy to guide American trade expansion through the 1970's.*

I have directed the President's Special Representative for Trade Negotiations to make an intensive study of our future trade requirements and needs.

I would hope that Members of the Congress and leaders of Labor, Business and Agriculture will work with the Executive Branch in this effort. To help develop the foundations of a far-reaching policy, I will issue an Executive Order

that establishes a wide basis for consultation and assistance in this important work.

#### AN EXPANDING ERA IN WORLD TRADE

The proposals in this message have been shaped to one purpose—to develop the promise of an expanding era in world trade.

We started on this road three and a half decades ago. In the course of that journey, the American farmer, the businessman, the worker and the consumer have benefitted.

The road ahead can lead to new levels of prosperity and achievement for the American people. The Trade Expansion Act of 1968 will speed us on the way.

I urge the Congress to give this important measure its prompt and favorable consideration.

LYNDON B. JOHNSON.

THE WHITE HOUSE, May 28, 1968.

#### MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Bartlett, one of its reading clerks, announced that the House had agreed to a concurrent resolution (H. Con. Res. 782) providing for the adjournment of the two Houses from Wednesday, May 29, 1968 to June 3, 1968, in which it requested the concurrence of the Senate.

#### HOUSING AND URBAN DEVELOPMENT ACT OF 1968

The Senate resumed the consideration of the bill (S. 3497) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development.

Mr. BAYH. Mr. President, I send an amendment to the desk and ask that it be stated.

The ACTING PRESIDENT pro tempore. The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. BAYH. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered; and the amendment will be printed in the RECORD at this point.

The amendment offered by Mr. BAYH is as follows:

On page 303, after line 23, insert the following new section 1520:

#### "SHELTER FOR DISASTER VICTIMS

"SEC. 1520. (a) The President is authorized to provide dwelling accommodations for any individual or family whenever he determines—

"(1) that such individual or family occupied a home (as an owner or tenant) which was destroyed or damaged to such an extent that it is uninhabitable, as the result of a major disaster occurring after January 1, 1968; and

"(2) that such action is necessary to avoid severe hardship on the part of such individual family; and

"(3) that such owner or tenant cannot otherwise provide suitable dwelling accommodations for himself and/or his family.

"(b) Such dwelling accommodations, including mobile homes, as may be neces-

sary to meet the need, shall be provided through acquisition, acquisition and rehabilitation, or lease. Dwelling accommodations in such housing shall be made available to any such individual or family for such period as may be necessary to enable the individual or family to find other decent, safe, and sanitary housing which is within his or its ability to finance. Rentals shall be established for such accommodations, under such rules and regulations as the President may prescribe and shall take into consideration the financial ability of the occupant. In cases of financial hardship, rentals may be compromised or adjusted for a period not to exceed twelve months, but in no case shall any such individual or family be required to incur a monthly housing expense (including any fixed expense relating to the amortization of debt owing on a house destroyed or damaged in a disaster) which is in excess of 25 per centum of the individual's or family monthly income.

"(c) In the performance of, and with respect to, the powers and duties conferred upon, him by this section, the President may—

"(1) prescribe such rules and regulations as he deems necessary to carry out the purposes of this section;

"(2) exercise such powers and duties either directly or through such Federal agency or agencies as he may designate;

"(3) sell or exchange at public or private sale, or lease, any real property acquired or constructed under this section;

"(4) obtain insurance against loss in connection with any such real property;

"(5) enter into agreements to pay annual sums in lieu of taxes to any State or local taxing authority with respect to any such real property; and

"(6) include in any contract or instrument made pursuant to this section, such conditions and provisions as he deems necessary to assure that the purposes of this section will be achieved.

"(d) Such sums as may be necessary to carry out the provisions of this section are authorized to be appropriated."

Mr. BAYH. Mr. President, I join the Senator from Iowa [Mr. MILLER], who has been working with us, as well as the Senator in charge of the bill, the Senator from Wisconsin [Mr. PROXMIER], who has been a cosponsor of this measure from its inception. When a series of major disasters, tornadoes, and floods descended on this country in 1965, a group of Senators decided that the time had come to do something about disaster relief by way of the various codes affecting disaster relief already on the statute books. A bill was introduced and enacted by the Senate in July 1965 without a dissenting vote. More than a year later, the House, in acting on this measure, struck about half of it from the bill. There was not enough time left toward the end of the session to seek a conference on the bill so we had to take half a loaf rather than none at all.

Senate bill 438 was introduced this year, reported favorably by the Public Works Committee, and is on the calendar. One section of that bill is the amendment now at the desk.

Let me read the first section of it, because I think it explains its scope better than I could extemporaneously:

The President is authorized to provide dwelling accommodations for any individual or family whenever he determines—

(1) that such individual or family occupied a house (as an owner or tenant) which was destroyed, or damaged to such an extent



that it is uninhabitable, as the result of a major disaster occurring after January 1, 1968; and

(2) that such action is necessary to avoid severe hardship on the part of such individual family; and

(3) that such owner or tenant cannot otherwise provide suitable dwelling accommodations for himself and/or his family.

This would permit the President or his authorized agent to provide temporary housing as a result of disasters and also would allow flexibility in the payment of rentals for a period not to exceed 1 year. This amendment is in accord with other provisions which characterize the low-rent housing privileges. Particular attention will be given to the incomes of the families involved whose homes have been lost. It seems to me, as I stated yesterday, that in view of the attention we are giving to disaster victims in other nations to which I do not object, we should pay more attention to those who are, at this very moment, in many States of this Union, as a result of tremendous floods and other disasters, the victims of severe hardships. This amendment would be one small step in that direction.

Mr. President, the amendment I am offering to provide additional shelter for disaster victims would increase the present authority of the President of the United States to meet basic needs of the innocent victims of major disasters.

My amendment would permit the President to provide dwelling accommodations for any individual or family whenever he determines that such individual or family occupied a house either as an owner or tenant, which was destroyed or damaged to such an extent that it is uninhabitable as the result of a major disaster, that such owner or tenant cannot otherwise provide suitable dwelling accommodations for himself or his family, and that such action is necessary to avoid severe hardship.

The President could provide any dwelling accommodations necessary to meet the need, either through acquisition or lease. Such dwellings could include trailer homes or any other type of housing. Dwelling accommodations in such housing would be made available to any such individual or family for such period as may be necessary to enable the individual or family to find other safe, decent, and sanitary housing which is within his or its ability to finance.

Rentals for such accommodations shall be established under such rules and regulations as the President may prescribe and shall take into consideration the financial ability of the occupant. In cases of financial hardship, rentals may be compromised or adjusted for a period of not to exceed 12 months, but in no case shall any such individual or family be required to incur a monthly housing expense—including any fixed expense related to the amortization of debt owed on a house destroyed or damaged in a disaster—which is in excess of 25 percent of the individual's or family's monthly income.

The amendment would also authorize the President to prescribe such rules and regulations as he deems necessary to carry out its purposes and to exercise

these powers either directly or through such Federal agency or agencies as he may designate. He would also be empowered to sell or exchange any real property acquired or constructed by virtue of this amendment, to obtain insurance against any loss on the property, and to enter into agreements to pay annual sums in lieu of taxes to any State or local government with respect to such property. Such sums as may be necessary to carry out its provisions would be authorized to be appropriated.

Mr. President, although under present law the Office of Emergency Planning does have some power to provide emergency shelter for disaster victims, my investigation of what has happened in past disasters and the testimony which was provided a Public Works Subcommittee by various witnesses have convinced me that the authority should be broadened.

There have been instances in which victims of disasters have experienced considerable delay in finding suitable housing which could have been avoided if this amendment were in effect. When a tornado, major flood, earthquake, or other disaster devastates an area there should be no legal obstacle to quick and complete action on the part of government and private agencies alike to bring assistance to those who have lost their homes.

In some cases it might be necessary for the Federal Government to acquire or lease houses or apartments which are standing idle and which the disaster victims would not be able to secure by themselves. In particular I call attention to the provisions which would allow the President to fix rentals for such emergency housing which would be in accord with the individual's or families' ability to pay. Conceivably, in some cases it might be determined that no rent should be charged for the period of time necessary for the disaster victims to reestablish themselves. Note also that in no case would the sufferers be required to pay a monthly rental which would be more than 25 percent of their total monthly income, and that any fixed expense in connection with a mortgage or other debt on a house destroyed or damaged in a disaster would be counted in the monthly housing charge.

Mr. President, I believe that this amendment would be very helpful in assuring that the Federal Government would have full power to provide meaningful housing relief to those unfortunate people who have lost their homes and possessions and in many cases are practically destitute.

I urge the Senate to adopt this amendment; it was incorporated in S. 1861 which this body passed on July 22, 1965, but which was left out when the bill was approved by the House of Representatives on October 17, 1966. That bill became Public Law 98-769. The amendment is also section 5 of S. 438 which is now No. 1055 on the Senate Calendar.

Mr. MILLER. Mr. President, as the Senator from Indiana has stated, following the disasters which occurred 3 years ago, which were particularly serious in Indiana and Iowa, but also in several other nearby States, legislation was in-

troduced to try to make more meaningful Federal disaster relief legislation. We took as our model the Alaska earthquake disaster bill which was a separate bill which Congress passed, going far beyond traditional disaster relief by the Federal Government, in order to cope with the situation in Alaska.

Since that time there have been several other major disasters in this country. Two weeks ago tomorrow, one of the worst disasters hit my State of Iowa. Two separate tornadoes hit the cities and vicinities of Oelwein and Charles City, Iowa.

On that same day, many other tornadoes occurred in adjoining States. Hundreds of people had their homes completely demolished. I visited the areas of Oelwein and Charles City and I can truthfully say that I have never seen such serious disasters resulting from tornadoes in all my life.

When one goes block after block after block with not one structure standing, he very soon realizes that the people who once lived in those homes simply must have some emergency relief.

There is hope that we will be able to have the Senate adopt S. 438, which is a very comprehensive bill, of which the Senator from Indiana [Mr. BAYH] is the prime sponsor and I am one of its cosponsors. Because of the immediacy of the situation facing hundreds of homeless people, it was thought that this amendment could be, very properly, attached to the housing bill at an appropriate place, and earliest action would be indicated.

I point out one thing to the Senator from Indiana, as a matter of clarifying the legislative history on the bill and that is, as I read it, the provisions on rentals would not necessarily be confined to 12 months.

The 12-month period, as I understand it, would relate to the period of time during which rentals could be compromised or adjusted.

Mr. BAYH. That is correct.

Mr. MILLER. Now there is another provision in the bill which is very important and that is that where the disaster victims—where housing is being provided, say, on a leased basis—will not have to pay more than 25 percent of the individual family income by way of rental. That is on all fours with the rent subsidy approach which is on the law books and which the Senate approved a long time ago. I think it is proper, because certainly, those of us who supported the rent subsidy program recognize that people are in need of decent housing and they may not be able to afford it, that if it goes over 25 percent of their family income, then real hardship is worked upon them. So, too, in the case of a disaster victim who may not be able to find housing. If it goes over 25 percent of his family income, then disaster will be compounded on disaster.

I think the provision as set forth in the amendment, which is also in the bill to which I referred, is very equitable. There is ample precedent for it.

Mr. BAYH. Mr. President, will the Senator yield?

Mr. MILLER. Yes, indeed.



Mr. BAYH. The Senator touched on one of the most tragic aspects of the problem, from the financial standpoint, that takes place in a disaster resulting from a tornado. If it affects a family which has been scrupulous so far as paying its debts and trying to maintain a good financial standing, a family which has followed a policy of investing its income in building and paying for a home, and that family has gone deeply into debt to provide a good standard of living for the family, when a tornado strikes, the family has nothing left but a big hole in the ground and still has to pay off the mortgage. The amendment takes into account the double-barreled problem of trying to pay off the old mortgage and also building a new house.

I am glad the Senator has brought this matter out.

Mr. MILLER. The Senator knows how thoroughly I agree with him.

There is a provision in the amendment which states that such sums as may be necessary to carry out the provisions of this section are authorized to be appropriated. We understand that that is what is called an open-end authorization, but there are two thoughts which I wish to state. I do not believe the open endedness of the particular disaster provisions will be very costly. It will be very important to those who are covered, but it will not have nearly the impact that the appropriations for many other provisions from the relief bill from which this was drawn for amendment purposes would have.

Second, I do not know when the Senate, and the Congress, should feel more compelled to authorize something like this than when we have hardships visited on people following a disaster. I think the people affected by this provision will bless Congress for enacting this legislation.

Mr. PROXMIRE. Mr. President, this is a good amendment. It passed the Senate of the United States in 1965. As the Senator from Iowa said so well, it will not be much of a burden in the provisions respecting rental payments for victims of these disasters.

I am willing to yield back the remainder of my time.

Mr. TOWER. Mr. President, we are willing to accept the amendment on our side.

The PRESIDING OFFICER. All time has been yielded back. The question is on agreeing to the amendment of the Senator from Indiana.

The amendment was agreed to.

The PRESIDING OFFICER. Who yields time?

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum, without the time being taken from either side.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### TRUTH IN LENDING—TRIBUTE TO SENATOR PROXMIRE

Mr. MANSFIELD. Mr. President, as long as there is a temporary hiatus in the proceedings, I wish to take this occasion to express my admiration and respect for the distinguished Senator from Wisconsin [Mr. PROXMIRE]. I do so not only on the basis of the work which he performs daily on the floor of the Senate, in committee, and elsewhere, but because if it were not for the efforts of the distinguished Senator from Wisconsin, we would not have a truth-in-lending law at this time.

I realize full well that the initial credit for introducing the measure and persevering in its behalf down through the years goes to our former colleague, the distinguished Senator from Illinois, Mr. Douglas, but I do think that credit should be given where credit is due, and I think it should be said for the RECORD that if it were not for the flexibility and the understanding and also the perseverance of the distinguished Senator from Wisconsin, in my opinion we would not have that bill on the statute books today.

I take this opportunity to make my views known, to tell the Senate how I feel and to give credit where credit is due, to the Senator who has worked long, hard, and so successfully to obtain the type of consumer protection legislation which is now on the statute books.

Mr. PROXMIRE. Mr. President, I yield myself 1 minute. I thank the distinguished majority leader for his most generous and most undeserved statement. I deeply appreciate it. There is no man in the Senate whose approval I would rather have than that of Mike MANSFIELD. I join him in saying that former Senator Douglas deserves a whale of a lot of credit for having persisted for 7 long years to bring that legislation to fruition.

#### HOUSING AND URBAN DEVELOPMENT ACT OF 1968

The Senate resumed the consideration of the bill (S. 3497) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development.

Mr. HART. Mr. President, I send to the desk an amendment.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. HART. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with and that it be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 84, line 8, strike out the period at the end of paragraph (6) and insert in lieu thereof "; and"; and add a new paragraph as follows:

"(7) include, to the greatest extent feasible, the employment of new and improved technology, techniques, materials, and methods in

housing construction, rehabilitation, and maintenance under programs administered by the Department of Housing and Urban Development with a view to reducing the cost of such construction, rehabilitation, and maintenance, and stimulating the increased and sustained production of housing under such programs."

On page 289, after line 18, insert the following:

"(c) Section 1010 (a) of such Act is amended—

"(1) by striking out 'and' at the end of paragraph (1);

"(2) by striking out the period at the end of paragraph (2) and inserting in lieu thereof "; and"; and

"(3) by adding after paragraph (2) a new paragraph as follows:

"(3) require, to the greatest extent feasible, the employment of new and improved technology, techniques, materials, and methods in housing construction, rehabilitation, and maintenance under programs administered by the Department of Housing and Urban Development with a view to reducing the cost of such construction, rehabilitation, and maintenance, and stimulating the increased and sustained production of housing under such programs."

Mr. HART. Mr. President, I was delighted that, a few minutes ago, the Senate adopted the amendment offered by the able Senator from Wisconsin. It bears on our desire that, under the leadership of the Department of Housing and Urban Development, we seek, if you will, to modernize the techniques of building construction.

All of us recognize the enormous unmet needs of housing in this country and the fact that in many areas we are building houses now as we did when grandfather was building them; that to meet the needs will require not alone mass construction but, I suggest, dramatic new techniques.

The purpose of the amendment now pending is to require, to the greatest extent feasible, the employment of new techniques and new methods.

Some time ago the Antitrust and Monopoly Subcommittee held hearings on new technology. It is clear that there are dramatic new methods—some of them, indeed, now used in Europe—which could bring us much closer to the day which is the goal all of us share, namely, adequate housing for the people of this country. It is a goal difficult to reach, but I think the day will be advanced by this type of amendment. I would hope very much we might add to the bill this proposal.

The goal of the bill before us—the Housing and Urban Development Act of 1968—and I am sure of most of us in this Chamber is to see that every American soon has a decent place in which to live.

In many ways, the bill simply attempts to assist the poorer members of our society the way the FHA has helped the middle class.

In light of the goal, I have proposed an amendment which I think will help us provide that housing faster—and cheaper—than we would under traditional methods. I am delighted that the amendment of the Senator from Wisconsin [Mr.



PROXMIRE] has just been agreed to and I suggest my amendment will be a useful addition in this area.

At this moment our housing industry is struggling to provide 1.5 million new units a year. Yet as a minimal requirement we must build 25 million units in the next 10 years. Six million of them should be low-cost units.

As chairman of the Senate Antitrust and Monopoly Subcommittee, I have been well instructed on the fear European nations have about our companies penetrating their markets. Supposedly, the size of our corporations gives them some pause, our efficiency a little also. But the real advantage we have over Europe—as seen from overseas—is our technology.

Is it not ironic, then, that the greatest technological nation in the world today faces an acute housing shortage while Europe put technology to work to solve hers 20 years ago?

Adding to the irony is that we do have the know-how, as one of my colleagues in the Senate says a lot these days, "to do better." We have the technology. We could be building cities with it now.

Today the Antitrust Subcommittee released its hearings on new technology, which included testimony on some of the methods for erecting housing faster—and considerably cheaper—than presently. We heard about new techniques and materials which could revolutionize our building industry. Factory production of homes and apartment components which are assembled on site is one key to the program.

Imagine a home made of molded plastic rooms—24 by 9 feet—each of which can be assembled onsite in one-half hour. Bath fixtures—even closets—could be molded into the units at the factory. Or an apartment building built with fiberglass panels with plumbing and electrical systems plugged in as units. Or houses built of prestressed concrete boxes fit together like a child's building-block house. Or an aerosol heat-electric power generator which—to somewhat simplify—converts heat directly to electricity. It makes use of the forces of nature by "bottling a thunderstorm" in that, like lightning, it draws electricity from minute droplets of water. Or, of being able to eliminate all size of construction lumber except the 2 by 4 by causing those to increase strength equal to, say a 2 by 12.

The possibilities are endless.

A country club in Ann Arbor, Mich., is using a 45-foot diameter dome building—molded of foam plastic and erected by two men in 12 hours—as a temporary clubhouse. This was built as part of a University of Michigan experiment with disposable housing. The foam dome will last up to 3 years—or longer if a second protective coating is applied.

While disposable housing may not be with us soon, it raises interesting possibilities for instant urban renewal—eliminating slums the minute they begin to develop.

In Reston, Va., they are experimenting with using mobile homes—one on top of another—to produce two-story apartments. In Seaside, Calif., they are studying the possibility of erecting a frame

for a high-rise apartment and "plugging in" mobile homes as the living units.

This list could go on and on.

But each addition raises the same question: Why are our people living in slums and squalor? Why are we 25 million housing units short? Why is not this new technology at work cutting the ever-increasing cost of building a home for you and me?

Getting these homes out of the engineering shops and onto the lots calls for a revolution in the methods of building. It calls for further research and development outlays. It calls for additional capital expenses for tooling.

But for these outlays to be made, there must be a market for the products.

Because 6 million of the units we need in the next 10 years are for those who cannot carry the full load of purchase or rent themselves, the Government is already in the position to guarantee a market.

What we must do, then, is see that this market is used to put the new technology to work. We must draw performance standards and time-tables designed to bring new technology out of the experimental labs and onto the site.

In effect, this type of governmental need can give the impetus to new technology in the building industry that it gave to space and defense projects.

But developing a mass market will not be enough. We must also get rid of the restrictive practices of building codes, outmoded zoning regulations, and political constraints that inhibit innovation and preclude progress.

The country that invented mass production can no longer tolerate only tailormaking in its housing.

There is no question technology can give us housing faster. France recently put up a five-story, 40-unit apartment building in 9 working days. The tenants moved in 15 days later.

There is little question that costs can be brought down. We average \$14 to \$16 a square foot now for multiunit housing. Costs quoted under new technology generally fall more in the \$7 to \$9 range.

There is no question that we can avoid sameness and monotony in architecture. The examples I cited are only a small sampling of the variety of possibilities today. Who knows what will be developed tomorrow?

There is no question the building industry would boom. At least they would be able to fill the demands that thus far are annually unmet.

There is no question that labor will benefit. Today we have a serious shortage of skilled workmen for the building trades. Worse, the ones we have are limited to working about 1,400 hours a year because of snow, sleet, rain, and extreme cold. Weather conditions will not affect factory production.

And there is no question that putting new technology to work in building low-cost and moderate-priced housing will benefit all consumers. Obviously, once the technology is on the market, it will be beneficial to all building. For example, the unit bathrooms, developed as part of the show-stopping Habitat for Expo, are now on the market for all consumers.

With all these arguments in favor, only

one question remains: What are we waiting for?

If the prophets of doom are not going to still be rubbing their hands in glee 5 years from now, that is a question we had better answer with "We are through waiting." Or, to paraphrase a cry of the day, "New technology now."

This pending bill provides for Government assistance to build 1.2 million low-cost housing units in the next 3 years.

This is great. But I think we must go further.

Therefore, I propose the adding of my amendment which would direct the proper Federal agencies to insist on the use of all new technology which is feasible.

Mr. President, we must put these technologies to work if we are to get away from the slow and tedious efforts of the past in housing—and if we are to get full value from the taxpayers' dollars.

Mayor of the District of Columbia Walter Washington last week put the right edge of urgency on the situation when he outlined proposals for rebuilding the Nation's Capital. Plans, he said, must be ready in 100 days. Building can then start in the fall.

That rebuilding must use the best technology now available and we must make it clear that the government will continue to encourage technological development in housing.

Given that market guarantee, I feel that in a few years this country can have what none of us have ever seen—beautiful cities. I hope the amendment will be adopted.

Mr. PROXMIRE. Mr. President, this amendment has been discussed with the staff of the Subcommittee on Housing of the Committee on Banking and Currency. I believe it is a good amendment. I think every Senator should certainly support its basic thrust, which is to provide for technological improvement in housing—the only way we can possibly get the enormous cost of housing down—and I am happy, not only to accept the amendment, but to do so with enthusiasm.

Mr. TOWER. -Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield back the remainder of my time.

Mr. TOWER. I think it is a highly constructive amendment, I congratulate the Senator from Michigan for having offered it, and I am happy to accept it on behalf of the minority.

Mr. HART. I am grateful to the Senator from Texas and the Senator from Wisconsin.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the amendment of the Senator from Michigan.

The amendment was agreed to.

The ACTING PRESIDENT pro tempore. The bill is open to further amendment.

Mr. TOWER. Mr. President, I ask unanimous consent that I may suggest the absence of a quorum without the time for the quorum call being charged to either side.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.



Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. BAYH. Mr. President, I send to the desk an amendment, and ask for its immediate consideration.

The ACTING PRESIDENT pro tempore. The amendment will be stated.

The ASSISTANT LEGISLATIVE CLERK. The Senator from Indiana [Mr. BAYH], in behalf of himself and the Senator from Iowa [Mr. MILLER], proposes an amendment as follows:

On page 180 between lines 5 and 6, insert the following new section 1004:

"FEDERAL LOAN ADJUSTMENTS

"SEC. 1004. In the administration of subtitle III of the Consolidated Farmers Home Administration Act of 1961, relating to emergency loans, any application for a loan thereunder in an amount of \$30,000 or less may be granted if such loan is for the repair, rehabilitation, or replacement of property seriously damaged or destroyed as the result of a major disaster, without regard to whether the Secretary of Agriculture finds that the required financial assistance can be met by private, cooperative, or other responsible sources (including loans the Secretary of Agriculture is authorized to make or insure under any other provision of law)."

Mr. BAYH. Mr. President, I should like to modify my amendment.

The ACTING PRESIDENT pro tempore. The Senator has that right.

Mr. BAYH. I modify my amendment to insert, on line 7, after the word "disaster," the words "occurring after January 1, 1968," to conform to a similar provision in the amendment previously agreed to.

The ACTING PRESIDENT pro tempore. The amendment will be so modified.

Mr. BAYH. Mr. President, those of us who have had personal experience with this matter, including the Senator from Iowa as well as the distinguished manager of the bill, the Senator from Wisconsin, who has been interested in this matter for a long time, and the Senator from Montana, who was one of the original sponsors of the disaster relief bills of 1965 and 1967, know that it does not do any good for a bill or a statute to provide relief unless, when a person goes in to apply for it, he can qualify.

For the sake of brevity, I think the best way to describe what we are getting at here—and I shall offer another amendment immediately following this one, which would similarly amend the Small Business Act—is by illustration.

If there are two houses, side by side, house A owned by a man who is financially responsible and, because he has worked hard to pay his bills, has a respectable credit rating, and house B, owned by a ne'er-do-well who has not bothered to pay his bills and so has a poor credit rating, if both those houses are damaged equally, partially or totally, the present law has the unconscionable result that the man who is the ne'er-do-well, who does not pay his bills, can now qualify under the Farmers Home Administration or the Small Business Administration for 3-percent disaster loans. But the fellow who has paid his

bills and has a good credit rating must go to a local bank and get his money at a 7- or 8-percent rate.

It seems to me that in the event of a disaster—not in the normal course of doing business—we ought to treat everybody exactly alike, even if they might have credit available to them. I do not think they should be penalized because they have paid their bills.

Thus, under limitations not to exceed \$30,000 of serious damage resulting from a major disaster, this amendment would remove the requirement which restricts it to ne'er-do-wells and people who do not have a good credit rating.

Mr. MILLER. Mr. President, I thoroughly subscribe to what my colleague has said about the measure and its purpose and intent.

I would like to underscore the policy lying behind the amendment, and that is that we wish to treat disaster victims equally. If disaster victim "A" can obtain a loan for 3 percent, disaster victim "B" should also be able to obtain a loan for 3 percent.

Furthermore, the loan should be made in the event of serious damage. We are not interested in covering minor repairs, although it is granted that if those damages occur from a disaster, it does constitute a hardship. We are trying to cover the truly disastrous situations occurring in the course of a major disaster involving serious damage or destruction of property.

I think the amendment is most equitable, and inasmuch as we have tried to limit the coverage to disasters occurring after January 1, 1968, I again suggest that this will not have a severe impact on the budget at all.

Mr. PROXMIRE. Mr. President, I yield myself 1 minute.

The ACTING PRESIDENT pro tempore. The Senator from Wisconsin is recognized for 1 minute.

Mr. PROXMIRE. The pending amendment is a real improvement on the basic provision in the measure I offered several years ago. I am delighted to accept the amendment.

Mr. President, I yield back the remainder of my time.

Mr. BAYH. Mr. President, I yield back the remainder of my time.

Mr. PROXMIRE. I yield back the remainder of my time.

Mr. BAYH. Mr. President, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

All time having expired, the question is on agreeing to the amendment of the Senator from Indiana.

Mr. BAYH. Mr. President, a parliamentary inquiry. All time having expired, may I seek permission to revise my amendment and incorporate a second amendment which the sponsor of the measure suggests would be a more expeditious way to deal with the matter?

I had earlier stated that we were going to treat the two amendments applying to FHA and SBA in the same way.

The ACTING PRESIDENT pro tempore. All time has expired. When the Senator offers his other amendment, there will then be an hour time limitation on that amendment.

The question is on agreeing to the amendment of the Senator from Indiana.

The amendment was agreed to.

Mr. BAYH. Mr. President, I send an amendment to the desk and ask that it be stated.

The ACTING PRESIDENT pro tempore. The amendment will be stated.

The LEGISLATIVE CLERK. The Senator from Indiana [Mr. BAYH], on behalf of himself and the Senator from Iowa [Mr. MILLER], offers an amendment:

On page 83 between lines 3 and 4, insert the following new section 318:

"FEDERAL LOAN ADJUSTMENTS

"SEC. 318. In the administration of the disaster loan program under section 7(b) of the Small Business Act, any application for a loan thereunder in an amount of \$30,000 or less in the case of a homeowner, or \$100,000 or less in the case of a business concern, may be granted, if such a loan is for the repair, rehabilitation, or replacement of property seriously damaged or destroyed as the result of a major disaster, without regard to whether the required financial assistance is otherwise available from private sources."

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. BAYH. I yield.

Mr. JAVITS. Mr. President, is the Senator now contemplating extending the provision to cover riot-torn areas? I had an amendment to the bill containing a provision along the same line. I understand that it was involved in quite a controversy yesterday when I was, unfortunately, not present on the floor. However, because I am so anxious to see a housing bill passed, I was not going to raise the matter within this context.

In view of the fact that the Senator has related this measure to the SBA, I should like to clear up the matter.

Mr. BAYH. In my judgment, in view of the rather extended debate yesterday with the senior Senator from Georgia, the Senate removed from the disaster provisions the funds for the public sector. Those would be handled under OEP, but we would maintain the funds under FHA, Urban Renewal and SBA. So, this amendment would not in any way affect the matter. A person in a riot-torn area would be eligible for disaster assistance under the Small Business Administration.

Mr. JAVITS. Would the Small Business Administration Administrator have to declare a disaster area before that could be done?

Mr. BAYH. The Senator is correct.

Mr. JAVITS. He still would have to do that?

Mr. BAYH. The Senator is correct.

Mr. JAVITS. The Senator does not disturb that structure at all.

Mr. BAYH. The Senator is correct.

Mr. JAVITS. How does the pending amendment affect the matter?

Mr. BAYH. My amendment would permit the same thing for small business disaster loans that we permitted by the



previous amendment for Farm Home Administration loans. To say that a person having access or not having access to other means of financing can be removed in the event of disaster—

Mr. JAVITS. We are only dealing with it in that respect and not going into the broader question of riot-torn areas.

Mr. BAYH. No. We are removing, as I mentioned earlier, the man who has a going business and has paid his bills, so that a good businessman will be treated in the same way as a bad businessman who does not pay his bills. If they are both covered, they could both go in and qualify for a 3-percent loan. However, otherwise the good businessman could not do so.

Mr. STENNIS. Mr. President, will the Senator yield?

Mr. BAYH. I yield.

Mr. STENNIS. What kind of a disaster does the Senator refer to?

Mr. BAYH. A major disaster.

Mr. STENNIS. What is that?

Mr. BAYH. One that is declared by the President of the United States or by the Small Business Administration.

Mr. STENNIS. Whatever they declared to be a major disaster would be a major disaster?

Mr. BAYH. No. It requires consultation with and request by the Governor of the State. It does not change the groundwork or the frame of reference we were discussing yesterday as to whether it qualifies as a disaster. It would depend upon it being declared a major disaster area by the Director of the Small Business Administration or the President.

Mr. STENNIS. But he has no guidelines really, now, except the words "major disaster."

Mr. BAYH. The Senator is correct.

Mr. STENNIS. It does not have to be a natural disaster. It can be a man-made disaster of any kind?

Mr. BAYH. The Senator is correct. I thought we had discussed that point yesterday and had reached general agreement that we were going to differentiate. The compromise said that we would not permit funds from the disaster relief fund to go to public facilities, but that we would permit funds for local Small Business and Farmers Home Administration loans.

Mr. STENNIS. Does the Senator intend to include disasters caused by riots?

Mr. BAYH. I would intend to, but I am addressing this proposal to the Senate as a result of the experience we had in Indiana in 1965, when 140 lives were lost and large areas were laid waste. Only part of those who suffered losses were told by the Small Business Administration that they would qualify. Some of them would qualify and some would not. The ones who would not qualify were able to get assistance from private credit sources. The ones who paid their debts and had everything in good shape at the bank were discriminated against.

Mr. STENNIS. What was the nature of that disaster?

Mr. BAYH. A tornado. The Senator from Ohio has the same situation in his State now with respect to floods.

Mr. STENNIS. We have a settled policy on that, and I understand it has worked well.

My point is that we are trying to legislate on the floor of the Senate, by amendments, in a matter such as civil disorders and riots. It should not be done in that way but should be worked out by some committee. I believe the Senator should exclude that from the amendment.

Mr. BAYH. This is the identical wording of one section of a bill that was passed by the Senate a year ago without a dissenting vote. The same language is also part of the disaster relief bill that has been reported by the Committee on Public Works and is now on the calendar—S. 438.

Mr. STENNIS. Why not rely upon the bill that was passed a year ago?

Mr. BAYH. Because the House took out the language.

Mr. STENNIS. That shows that there has not been a meeting of minds as to the law.

Mr. BAYH. I am sure the Senator from Mississippi does not always agree with what the Members of the House of Representatives do.

Mr. STENNIS. I am not trying to defeat the provision for a natural disaster, and I am willing to go into the other aspect as much as any other Senator. But commonsense tells me that we should have a system and it should be worked out by someone who knows the subject. I do not know much about it. But if we try to legislate on the floor of the Senate in order to take care of riots, without having some hearings, I believe we make ourselves look ridiculous.

Mr. MILLER. Mr. President, will the Senator yield?

Mr. BAYH. I yield.

Mr. MILLER. Mr. President, I should like to say to the Senator from Mississippi that this proposal has to do only with major disasters which have been so declared and found by the Governor of a State.

Furthermore, it is limited to loans, and only to those who are the victims of the disaster. The only thing we are trying to do here is to provide that if disaster victim A can get a 3-percent loan, then disaster victim B can get a 3-percent loan.

I will guess that the House of Representatives will accept this amendment, because it is to cover only the victims of a major disaster.

Mr. STENNIS. Does it include riots, disasters caused by riots?

Mr. MILLER. I would say that if the Governor of a State found that there was a major disaster as the result of a riot, it would be covered.

Mr. STENNIS. Why not spell it out and put that in the amendment, rather than leave it to various Governors?

Mr. MILLER. This has to be unified by a finding in Washington. The Governor declares it, but it has to be supported by a finding in the Office of Emergency Planning and by the President of the United States. So the unification would occur in Washington. Simply because a Governor says it is a major disaster does not make it so, but he must do that first. So most of these cases would never get to Washington.

Mr. STENNIS. I know how thorough the Senator from Iowa is. I ask whether

his purpose is to continue the present law as to natural disasters, or is it his purpose to include riots and arson disasters?

Mr. MILLER. In response to the Senator from Mississippi, I point out that two of the worst tornado disasters in the history of my State occurred just 2 weeks ago tomorrow. This is the reason for the urgency in seeking to amend the bill to cover that. Several other disasters hit adjacent States in the same fashion 2 weeks ago tomorrow. So what we had in mind, because of the urgency, was to take care of urgent disaster situations, with hundreds of people homeless and their businesses gone.

As to whether or not a major disaster would include a riot, all I can say is that the legislative history would be whatever the legislative intent was at the time the disaster relief legislation was passed by Congress years ago, long before I began my service in the Senate, and when the Senator from Mississippi must have been in the Senate.

Mr. BAYH. There was a lengthy colloquy yesterday in connection with this matter, and I thought we had reached a general agreement that would draw the line on this matter. The Senator from Georgia was worried about depleting the public disaster funds, and it was agreed that the bill would not cover this aspect although some Senators felt that it should be covered in the case of a riot; but so far as loans—not grants—were concerned under small business and other disaster provisions, it was agreed that the bill would permit them if it was a major disaster, man-made or natural.

Mr. TOWER. Is it not true that, actually, the Senator's amendment does not address itself to whether or not a riot is a natural disaster? It does not change the question of whether or not a riot is a natural disaster.

What they are trying to do is to establish a degree of equality and clarification for benefits between and among people.

Mr. BAYH. Take the situation of a riot—which concerns the Senator from Mississippi—in a given city having adjacent small businesses on adjacent corners. One of them is well run and the man is scrupulous about paying his bills. The other fellow, on the other corner, does not worry about paying his bills. The bill collector is hounding him all the time. The way the bill is presently written, if a riot hits that area and both those buildings are burned down, the fellow who has not paid his bills can, under existing law, obtain 3-percent disaster loans, whereas the other fellow, hit by the same disaster, cannot qualify. This seems unjust to me.

Mr. STENNIS. The Senator's argument is that there is already sufficient law to cover the riot disaster?

Mr. BAYH. That is correct.

Mr. STENNIS. Is that agreed to by the committee? Is that the committee's concept of the present law?

Mr. PROXMIER. The action yesterday went to that point, when we voted on the amendment following the amendment of the Senator from Georgia.

Mr. TOWER. In other words, this does not change the question that has already



been resolved as of yesterday, as to whether or not a riot is a natural disaster.

Mr. BAYH. The Senator is correct.

Mr. TOWER. Senator BAYH and Senator MILLER are suggesting that it is not fair for a man with a good credit rating to be ineligible for this aid, to force him to borrow money at 7 percent, while the fellow who is a poor credit risk and cannot borrow money at the bank gets the Government benefit.

Mr. STENNIS. I see that distinction clearly. I believe we should insert here whether or not a riot disaster would be included. If we do not know whether it is included, how would the Government know and how would an administrator know? It should be spelled out one way or the other.

The PRESIDING OFFICER (Mr. SYMINGTON in the chair). Is all time yielded back on the amendment?

Mr. BAYH. I yield back the remainder of my time.

Mr. PROXMIRE. I yield back the remainder of my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Indiana.

The amendment was agreed to.

Mr. JAVITS. Mr. President, I send to the desk an amendment, on behalf of myself and the Senator from New Jersey [Mr. CASE], and ask that it be read.

The PRESIDING OFFICER. The amendment will be stated.

The bill clerk read the amendment, as follows:

At the end of the bill insert a new section as follows:

**"ASSISTANCE FOR CONTRACTORS IN FULFILLING BONDING REQUIREMENTS**

"SEC. 1520. The Secretary of Housing and Urban Development, in cooperation with the private bonding industry, shall develop a plan for the establishment at the earliest practicable date of a program to assist any private contractor who is qualified to bid on and perform public and private contracts to obtain the requisite bonding on reasonable terms and conditions. Within six months after the date of enactment of this Act, the Secretary shall report to the Congress concerning the plan developed under this section, and shall recommend to the Congress such legislation as he deems necessary and appropriate to carry out such plan."

Mr. JAVITS. Mr. President, I yield myself 10 minutes.

Mr. President, I ask unanimous consent that I may yield to the Senator from Indiana without losing my right to the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAYH. Mr. President, I wish to make absolutely certain that both these amendments have the same effective dates. We talked about it, and then we got into the colloquy about the riots; and I am not certain that the Chair revised my amendment on page 8 to make it read, following the word "disaster," "occurring after January 1, 1968."

Mr. President, I ask unanimous consent that that effective date be accepted in both of those amendments.

Mr. MANSFIELD. It was accepted in the first amendment.

Mr. BAYH. It was accepted in the first amendment, but I am not certain

whether the clerk has it in the second amendment.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. JAVITS. Mr. President, I do not intend and I hope I shall not have to press this amendment because of the situation which I shall explain.

The purpose of the amendment is to direct attention to a problem which concerns small businesses, especially small businesses in which minority groups, and Negroes particularly, seek to engage, due to their inability to get a bond, especially in the building business, where the person is a contractor. Unless a contractor can procure a bond he finds it difficult to bid on a job of any appreciable size.

Facts and figures indicate that two-thirds of the Negro contractor-builders have been unable to get bonds. Facts and figures also show that a great many of them at one time or another had to complete jobs as subcontractors for another person because they were unable to get bonds themselves.

Mr. President, if we are trying to build up the self-sufficiency and entrepreneurial skill of people in that category, we should provide some means in the Federal program to deal with underwriting, on a reinsurance basis, the opportunity for such contractors to get bonds.

The amendment I have offered, on behalf of myself and the Senator from New Jersey [Mr. CASE], directs the Secretary of HUD to devise a plan to deal with that problem and to submit such a plan in 6 months.

I understand that the distinguished Senator from Illinois [Mr. PERCY], who is a member of the Committee on Banking and Currency, also had prepared legislation on this subject. I have also prepared legislation on this subject. The Senator from Illinois and the committee, I understand, prefer to deal with this matter on the basis of hearings, at which the Secretary would testify. I understand that it is preferred that we not latch this proposal onto the law now. I understand that the Senator from Illinois prefers the committee hearing route.

Mr. President, I admire so much what the Senator from Illinois [Mr. PERCY] has done in this field that I am not inclined to press my amendment on this basis in view of his views.

I have introduced my proposal. He has his proposal. I understand that the manager of the bill will assure us of their early consideration in hearings on the subject.

I yield to the Senator from Illinois.

Mr. PERCY. Mr. President, once again I commend the distinguished Senator from New York, even though he is not now a member of the Committee on Banking and Currency.

As he has done so frequently in the past, today he is anticipating many of our great human needs. I commend him on his imagination in addressing a real need today.

Mr. President, I have toured inner city areas throughout the country. One of the greatest complaints I have found is that those people are not getting "a piece of

the action." The complaint from smaller businessmen, for instance, is that they have the technical ability to employ people from the inner city areas, and they have the competence to carry forward programs in the public and private interests in the housing bill, but they find they are unable to do so because of limited resources to obtain necessary bonding. This is true even though they have great technical skills. I have been developing, and I know that the Senator from New York has been developing, proposed legislation that would assist in this area.

I strongly believe that when we do have the necessary ideas within the legislative body itself, it is our responsibility to respond to the problem and initiate hearings, and to subject those ideas to the most careful scrutiny, not only by the administration but also by all interested parties, so that we will move ahead with the greatest dispatch.

I join the Senator from New York in asking that the Committee on Banking and Currency schedule such hearings this year at the earliest time so that we can dispose of this matter before Congress goes home.

Mr. JAVITS. Mr. President, I hope, rather than having separate bills, we can join together in one bill. We think that would be most desirable. I shall make every effort to do that.

Mr. PERCY. I would be delighted.

Mr. JAVITS. Mr. President, if I may have the attention of the manager of the bill, I believe he has heard enough of our discussion so that he may respond. I would like to yield to the Senator from Wisconsin now.

Mr. PROXMIRE. I had an opportunity to discuss this matter with the Senator from Alabama [Mr. SPARKMAN], who is the chairman of the committee and also the chairman of the Subcommittee on Housing. He has agreed to schedule hearings on the proposal of the Senator from New York [Mr. JAVITS], which the Senator has just discussed.

Mr. JAVITS. I thank the Senator.

Mr. President, before I withdraw the amendment, I should like to ask two questions of the manager of the bill. One question relates to language in the bill. If the Senator will turn to page 109, lines 14 and 15, it will be seen that a qualification for a rehabilitation loan, as there set forth, is that "the property is residential and owner occupied."

One of the grave problems in the big cities in my State, such as New York City, Buffalo, Syracuse, and others, as examples, relates to the structures which have been condemned or abandoned, but are capable of rehabilitation. However, inasmuch as the city has either title or possession, obviously the buildings are not "owner occupied."

We were going to endeavor to amend the section to provide for that situation.

The Senator from Alabama [Mr. SPARKMAN], the chairman of the committee, felt that there might be too many claims and that too many municipalities would attempt to come in. Again, I wish to do everything I can to go along with the chairman and with everything he wants in this matter, be-



cause he has been a great benefactor of housing.

Another way in which this problem is approachable under the law without incurring the problem the Senator from Alabama is concerned about is under sections 235 and 236. Under those sections the local agency conceivably could get a loan in order to rehabilitate such vacant buildings for the purpose of selling or renting them in conformity with the requirement of the sections. So if a municipality really had the enterprise to move in a full-scale effort to do something with such buildings, it could proceed under sections 235 and 236.

I wish to ask the manager of the bill if he would agree with that construction of a pattern, in which a municipality which was really serious and wanted to do something could bring itself under the law.

Mr. PROXMIRE. The committee counsel informs me that under section 235, the homeownership section, it could be done, but not under section 236.

Mr. JAVITS. I thank the Senator.

The other question I wish to ask relates to pages 106 and 108 of the bill. If the Senator would refer to those pages, he will see that section 511, which is on page 108, lines 5 and 6, refers to the interim assistance for blighted areas, for which a certain sum of money is provided. Among the purposes is the establishment of temporary public playgrounds on vacant land within the area.

One of the real and critical problems is that during the summer one of the greatest things that can be done in a slum or a ghetto is to provide a swimming pool or a place to swim. It need be only a canvas tank, or even a hydrant, but at least it would be something. It relates to the unique need of the steaming ghettos during that time of the year.

Does the Senator see anything in the discretion of the Secretary which would exclude that kind of facility for recreation? We should bear in mind the amount of money allocated for space and the desirability of programs of that sort. But just so that we may know, because the words do not say, will the Senator explain whether, jurisdictionally, such a program is not excluded?

Mr. PROXMIRE. I should like to ask the distinguished chairman of the committee, who is really the Senator in charge of the bill—I am just sitting in for him temporarily—if his view is that this kind of facility, a swimming pool, would be excluded.

Mr. JAVITS. Necessarily, is it excluded?

Mr. PROXMIRE. Is it necessarily excluded?

Mr. JAVITS. They are, as a matter of statutory construction, I realize that the amount of money which is totally involved is not great. We are not thinking about any elaborate operation but want to know whether it comes within the purview of the Secretary to include that kind of recreational facility.

Mr. SPARKMAN. The Senator from New York is an able lawyer. When the language refers to the establishment of a temporary public playground, does not the Senator think it might vary according to the type of pool?

Mr. JAVITS. That is exactly correct. Mr. SPARKMAN. And if it is to be temporary.

Mr. JAVITS. That is exactly so.

Mr. SPARKMAN. It would be allowable.

Mr. JAVITS. Of course.

Mr. SPARKMAN. But not if it were made permanent.

Mr. JAVITS. No; that is not contemplated. I think that is probably true, but I wanted to be sure that it was not by statutory construction excluded.

Mr. SPARKMAN. That would be my construction of the language.

Mr. JAVITS. I thank the Senator.

Mr. President, I withdraw my amendment.

The PRESIDING OFFICER. The amendment is withdrawn.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum, the time for the quorum call not to be charged to either side.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Montana? The Chair hears none, and the clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. METCALF. Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. At the end of the bill insert a new section as follows:

#### SMALL BUSINESS ACT

SEC. 1520. Subsection (a) of section 4 of the Small Business Act is amended by inserting immediately after "the Commonwealth of Puerto Rico," the following: "the Trust Territory of the Pacific Islands,".

Mr. METCALF. Mr. President, the amendment simply adds the trust territory to the area where the Small Business Act would apply. The Trust Territory of the Pacific Islands is a special responsibility of the United States as a result of United Nations action. It is in a remote area where we need more American investment to compete with Asiatic investment. The amendment merely provides for the Small Business Administration to go in there, in the case of a disaster, or in the case of incident, for the protection of the area which we have purchased with the blood of our American boys on such islands as Peleliu, Eniwetok, and Kwajalein.

I urge the adoption of the amendment.

Mr. SPARKMAN. Mr. President, let me ask the Senator from Montana this question. The area is referred to as the Trust Territory in the—

Mr. MANSFIELD. The Trust Territory of the Pacific Islands.

Mr. SPARKMAN. Of the Pacific Islands. Is that the correct title?

Mr. MANSFIELD. The Trust Territory of the Pacific Islands.

Mr. METCALF. That is the correct title.

Mr. SPARKMAN. The thought that is

going through my mind is that there are other trust territories in other countries.

Mr. METCALF. No.

Mr. MANSFIELD. This is it.

Mr. SPARKMAN. I understand. I just wanted to be sure we had the correct title and that it is limited to the American trust territory.

Mr. MANSFIELD. Exactly.

Mr. METCALF. This is the trust territory popularly known as Micronesia. It is the Trust Territory of the Pacific Islands and is administered under the aegis of the United Nations.

Mr. SPARKMAN. Yes. I thank the Senator. Mr. President, I am willing to accept the amendment, and I understand that the Senator from Texas [Mr. Tower] is also willing.

Mr. President, I yield back the remainder of my time.

Mr. METCALF. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time on the amendment has now been yielded back. The question is on agreeing to the amendment of the Senator from Montana.

The amendment was agreed to.

Mr. MANSFIELD. Mr. President, for the RECORD and the information of the Senate, the correct name is "The Trust Territory of the Pacific Islands."

Mr. SPARKMAN subsequently said: Mr. President, earlier in the day there was an amendment to extend the provisions of the act to extend the provisions of the Small Business Act to the Trust Territory of the Pacific Islands.

I am in receipt of a letter from the Department of the Interior dated May 28, 1968, relating to this problem. I ask unanimous consent to have printed in the RECORD the letter from the Department of the Interior, at the point where the matter was considered.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

U.S. DEPARTMENT OF THE INTERIOR,  
OFFICE OF THE SECRETARY,  
Washington, D.C., May 28, 1968.

HON. JOHN SPARKMAN,  
Chairman, Committee on Banking and Currency, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request for the views of this Department on S. 3070, a bill "To extend the provisions of the Small Business Act to the Trust Territory of the Pacific Islands."

We strongly recommend the enactment of S. 3070.

The bill amends section 4(a) of the Small Business Act by inserting the phrase "the Trust Territory of the Pacific Islands, immediately after the phrase "the Commonwealth of Puerto Rico, where it appears in the subsection. This amendment includes the Trust Territory of the Pacific Islands in the definition of the term "United States" as it is used in this portion of the Small Business Act, thereby extending the provisions of the Small Business Act to the Trust Territory of the Pacific Islands.

We favor the extension of the Small Business Act to the Trust Territory of the Pacific Islands in order to permit developing commercial and industrial enterprises, which may qualify, to avail themselves of the assistance which is made available under the Small Business Act. We believe that the extension of the Small Business Act to the Trust Territory of the Pacific Islands will be a major contribution to the economic devel-



opment of the area, one of the responsibilities the United States accepted in the Trust Territories under its Trusteeship Agreement with the Security Council of the United Nations.

Additionally, extension of the Small Business Act to the Trust Territory of the Pacific Islands would make available the post-disaster assistance that is authorized by the Small Business Act. At the present time, the Disaster Assistance Act is applicable to the Trust Territory of the Pacific Islands and provides for reconstruction and rehabilitation assistance to the public sector in the event of a major disaster, such assistance being made available through the Office of Emergency Planning. However, there is no provision for assistance to the private sector of the economy such as is now made available to other sections of the United States through the Small Business Act.

Because of limited alternative resources and sources of assistance in the Trust Territory of the Pacific Islands, the aid that will be made available by the passage of this bill will probably be more effective in the Trust Territory of the Pacific Islands than anywhere else.

Article 3 of the Trusteeship Agreement between the United States and the Security Council of the United Nations, under which the United States administers the Trust Territory of the Pacific Islands provides:

"The administering authority shall have full powers of administration, legislation, and jurisdiction over the territory subject to the provisions of this agreement, and may apply to the trust territory, subject to any modifications which the administering authority may consider desirable, such of the laws of the United States as it may deem appropriate to local conditions and requirements."

Accordingly, the extension of the provisions of the Small Business Act to the Trust Territory of the Pacific Islands is consistent with the terms of the trusteeship Agreement.

The Bureau of the Budget advises that while there would be no objection to the presentation of this report, the Bureau believes that the existing authority of the Department of the Interior, the administering agency of the Trust Territory of the Pacific Islands, is adequate to meet the needs of small business in the Trust Territory of the Pacific Islands. If additional resources are required, the Bureau believes that they can most efficiently be channeled through the Department of the Interior.

Sincerely yours,

HARRY R. ANDERSON,  
*Assistant Secretary of the Interior.*

Mr. SPARKMAN. Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk proceeded to read the amendment.

Mr. SPARKMAN. Mr. President, I ask unanimous consent that the further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and the amendment will be printed in the RECORD.

The amendment offered by Mr. SPARKMAN is as follows:

On page 303 amend section 1519 of S. 3497 by deleting the present language and substituting the following:

"Sec. 1519. Section 24 of the Federal Reserve Act, as amended (12 USC 371) is amended:

"(1) by striking the words 'twenty-four months', wherever they appear in the third paragraph thereof and inserting in lieu thereof the words 'thirty-six months',

"(2) by striking the words 'when the entire amount of such obligation is sold to the association' wherever they appear in the first and second paragraphs thereof and inserting in lieu thereof 'in whole or in part and at any time or times prior to the maturity of such obligation';

"(3) by striking the last paragraph thereof and inserting in lieu thereof the following: 'Loans made to any borrower (i) where the association looks for repayment by relying primarily on the borrower's general credit standing and forecast of income, with or without other security, or (ii) where the association relies on other security as collateral for the loans (including but not limited to a guaranty of a third party), and where, in either case described in clause (i) or (ii) above, the association wishes to take a mortgage, deed of trust, or other instrument upon real estate (whether or not constituting a first lien) as a precaution against contingencies, such loans shall not be considered as real estate loans within the meaning of this section but shall be classed as ordinary non-real estate loans.'"

Mr. SPARKMAN. Mr. President, I offer this amendment to section 1519 of S. 3497. It would amend section 24 of the Federal Reserve Act. This section deals with a national bank's authority to make mortgage loans. While the change from the committee bill does not expand existing authority of national banks, it does clarify the law and confirm current regulations and interpretations of the Comptroller of the Currency.

The first paragraph of my amendment restates the existing section 1519 of the committee bill.

The second paragraph of my amendment would permit national banks to continue to purchase participations in existing mortgages.

The third paragraph of my amendment confirms the Comptroller's interpretation that loans by national banks shall not be considered as real estate loans where the bank looks primarily for repayment out of income of the borrower or security other than real estate, even though the bank takes a mortgage on real estate as additional security for the loan.

Mr. TOWER. Mr. President, I have no objection to the amendment offered by the Senator from Alabama.

Mr. SPARKMAN. Mr. President, I yield back the remainder of my time.

Mr. TOWER. I yield back the remainder of my time.

The PRESIDING OFFICER. All time on the amendment has been yielded back. The question is on agreeing to the amendment of the Senator from Alabama.

The amendment was agreed to.

Mr. SPARKMAN. Mr. President, if I may have the attention of the Senator from Delaware [Mr. WILLIAMS], he may recall that yesterday I offered an amendment to change the date, from 1968 to 1969, for the report of the study of the savings and loan industry. I find the language that I used was not sufficient, and I am offering an amendment to change it correctly. No additional funding is required. It simply prolongs the date for the study. The amendment is a substitute for the amendment at page 3, line 4, adopted by the Senate yesterday, as shown on page S6472 of the RECORD.

The PRESIDING OFFICER. The amendment offered by the Senator from Alabama will be stated.

The legislative clerk read the amendment, as follows:

At the end of the bill insert the following:

"SPECIAL STUDIES OF SAVINGS AND LOAN  
INDUSTRY

"Sec. 1520. That part of Chapter IV of the Second Supplemental Appropriation Act, 1966, which relates to expenses necessary for special studies of the savings and loan industry is amended by striking out '1968' and inserting '1969'."

Mr. SPARKMAN. Mr. President, I yield back the remainder of my time.

Mr. TOWER. Mr. President, I yield back my time.

The PRESIDING OFFICER. All time on the amendment has been yielded back. The question is on agreeing to the amendment of the Senator from Alabama.

The amendment was agreed to.

Mr. SPARKMAN. Mr. President, I have another technical amendment to offer.

The PRESIDING OFFICER. The amendment of the Senator from Alabama will be stated.

The legislative clerk read the amendment, as follows:

On page 55, line 9, after "per annum" insert "(not in excess of 6 per centum)".

On page 82, line 4, after "235(j) (2) (C)," insert "236(j) (4) (B)."

Mr. SPARKMAN. Mr. President, it is a purely technical amendment.

I yield back my time.

Mr. TOWER. Mr. President, I yield back my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Alabama. All time has been yielded back.

The amendment was agreed to.

Mr. RUSSELL. Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Georgia will be stated.

The BILL CLERK. It is proposed, on page 180, beginning with line 6, strike out all of title XI.

Renumber succeeding titles and sections accordingly.

Mr. RUSSELL. Mr. President, when the distinguished Senator from Alabama opened the debate on this bill last Friday, his initial statement was that this was "the most comprehensive housing and urban development bill our committee has ever presented to the Senate." After having undertaken, in a very brief time, to understand it—there are some 300 pages to the bill—I am perfectly willing to subscribe to that statement in toto. As I understand it, the main thrust of the pending bill is to provide more adequate housing for low-income people of this country. With that objective, I am in agreement. There are many provisions of this long and complicated measure that I can support. However, as I said here last Friday, there are some provisions contained in this bill which I think are fraught with great peril and will develop into real dangers to this country.



I refer particularly to title XI, which provides for a scheme of reinsurance to place on the taxpayers of every section of this country the responsibility to absorb the losses brought about by riots and civil disorders such as we have witnessed to an increasing extent in the past several years.

Briefly, the applicable provisions of this title would create a National Insurance Development Corporation within the Department of Housing and Urban Development, and this new corporation would administer the reinsurance program in those States where the corporation would operate.

It is proposed to finance this program jointly by the private insurer, the State, and the Federal Government. The cost of the program is, of course, unknown at this time. It would depend upon the frequency of riots and civil disorders, as well as the amount of losses and damage caused by these outbreaks.

May I say that this portion of the bill is very vague and uncertain as to the distribution and liability of the capital fund this department would administer. It leaves a great deal to the discretion of the manager of the fund, or whoever is designated by the department to handle this new corporation and the insurers. It would be a subject of negotiation and contract. But we do know that, in the last analysis, the responsibility for the payment of claims which may arise under this title and under this new law will rest upon the taxpayers of the United States.

Mr. President, I am greatly concerned that such a program as it stands at the present time would destroy incentives, especially among the city officials in the areas affected and among those living in the cities, to limit the destruction which might be brought about by riots, or, indeed, to prevent and stop such riots.

On yesterday, the Senate rejected a proposal that the cities participate in the creation of the fund from which the payments would be made. There can be no doubt that, under our present system of government, in theory at least, cities have the primary responsibility for law enforcement within their boundaries. They have the primary responsibility for quelling riots or civil disorders. And yet under this bill they have no obligation whatever toward the fund which is created to pay the reinsurance or the insurance claims that may become due by virtue of the provisions of the law.

Mr. President, I have in the past expressed the view that the occurrence and the violence of these disorders is in some cases partly attributable to the permissive atmosphere that has been created, unwittingly, I am sure, by statements and actions of public officials. Some of the highest officials of the Government have indicated—I believe one made the statement in public—that if they lived in the so-called ghettos, they would participate in these demonstrations. I think statements of this kind are inexcusable, and I know that they make no contribution whatever to restoring or to maintaining law and order.

In addition, Mr. President, the police have not been permitted to deal with these riot situations in a realistic man-

ner. Many of the recent violent situations, in my judgment, could have been significantly limited if the law enforcement agencies had been allowed to move when trouble first started. However, this has not been the case, as is clearly evidenced by the bumbling and uncertain handling of the recent violence here in the Nation's Capital.

Now it is proposed in title XI of this bill, that I am now moving to strike, to provide assurance that, after these riots have occurred, the destroyed buildings will be rebuilt partially, at least, through tax money. I believe we are playing with dynamite by entering into this field and by entertaining such proposals, because this program, although it is slightly limited, like so many others, once initiated, will spread and be enlarged upon in each succeeding Congress. I am confident that this would only be a start and that it would eventually lead to the complete assumption and subsidization of these losses by the Federal Government.

Mr. President, I do not see how we can possibly hope to put an end to the wave of riots and civil disorders if we are to maintain a permissive atmosphere, handcuff the police, and then, in effect, have Congress subsidize the damage caused by the rioters after the event.

I shall not undertake to discuss today the extent of crime in this country. The Senate has fully exhausted that subject in the last month. We spent more than 3 weeks, I believe, on the crime bill, in an effort to direct legislation toward bringing about a restoration of law and order. I think the bill we finally passed was a reasonably good bill, but I do not believe it is likely to cure all the ills that afflict the Nation.

I wish to make it very clear that I do recognize the existence of an insurance problem in the areas that have been victimized by riots. In glancing through the record of the hearings, I notice that the witnesses heard by the Committee on Banking and Currency, included a number of distinguished citizens who are affiliated with the insurance industry. I am not surprised that those people favor this proposal, because it would be most beneficial to the insurance industry, at least in the short run. In taking note of this fact, I am in no way criticizing the industry—for all industries in this country today have a habit of coming to the Federal Government for help—but I do point out that this program has other ramifications that should properly be considered.

It seems to me that clear alternatives are available to assist the insurance industry and at the same time avoid the very great dangers of getting the Federal Government involved in this reinsurance scheme, without any idea on earth as to what it is likely to cost. I would point out to those in the insurance industry who support this proposal that it is far easier to get the Federal Government involved in legislation delegating regulatory authority than it is to limit that role once the door has been opened. I have seen this happen time and again in the years I have served in the Senate, and I would say to the insurance industry in this country that they might well

consider the vast authority and regulatory role that will inevitably result from the enactment of this type of legislation. The Executive Director of this Corporation has great power, and there is no assurance, whatever, that it will not be expanded in the future from year to year, as other Government programs of this nature inevitably result.

I sincerely believe that it would be to the benefit of this country and, in the long run, of the industry itself, to work out this problem of insurance in riot areas within the industry, without bringing the Federal Government into it in an active or even a proprietary way. I am sure that this can be done. As a matter of fact, I have been told and have read in the CONGRESSIONAL RECORD that the Finance Committee is now in the process of preparing legislation which would allow the industry itself to build up a tax exempt fund to act as a cushion against these excessive losses in certain areas of our country. I think that that approach is far more desirable than the one involved in title XI of this bill. I cannot emphasize too strongly that if the insurance industry wants to remain one characterized by the competitive free enterprise system, it had better be more careful about entering into such a scheme as is proposed in the pending legislation.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. HOLLAND. First, I congratulate the Senator and wish to associate myself in every way with what he has said. I thoroughly agree that this is a dangerous experiment. I thoroughly agree that it is dangerous to the insurance industry itself. Above all, it is a very bad experiment from the standpoint of the underwriting, largely out of Federal and State funds, of the losses in riot-torn areas.

It seems to me that if there needs to be any incentive for destruction of the huge ghettos in some of our cities, this particular part of the bill would operate in that direction, and I would expect, regretfully, that some very destructive fires, similar to the ones in Newark, Detroit, Washington, and elsewhere, would occur in crowded city ghettos in the future, very carelessly on the part of both officials and property owners, with the knowledge that Uncle Sam and the particular State involved stand ready to bear the burden out of tax collections from all of the people.

I hope the Senator's amendment will succeed. This is a very dangerous experiment. As I said in the beginning, I wish to be associated from beginning to end with the position of the distinguished Senator from Georgia.

Mr. RUSSELL. I thank my distinguished friend from Florida.

Mr. President, the bill to which I have referred, which is being considered by the Committee on Finance—undoubtedly the proper committee to consider a matter of this nature—will be found at page S18725 of the CONGRESSIONAL RECORD of December 14, 1967. I ask unanimous consent that the text of that proposed bill



be printed in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. RUSSELL. Mr. President, from my review, rather scanty though it was, of the hearings held by the Banking and Currency Committee, I do not believe that the possible encouragement to riot by having the Federal Government assume all this obligation, and eliminating the city from any part of the responsibility, was even considered by the distinguished subcommittee of the Committee on Banking and Currency which held hearings on this measure. The record does not disclose which law enforcement officials, if any, appeared, or whether any of the witnesses were queried as to this point. It may be that the Senator from Florida and I are the only two Members of the Senate who are concerned about this matter, but I certainly hope that that is not the case.

I think it would have been well if the committee had called some of our outstanding police officers, to get their evaluation of the possible effect of such a scheme as is embraced in this proposal. My own view is that it contains many dangers and should be fully explored before it is approved by the Senate.

Mr. President, all of the witnesses—and I am sure every Senator will agree with this—indicated that they sincerely hope that we would have no further riots, but this entire proposal is predicated upon the assumption that we will not only have more riots, but that their violence and severity will increase. I note, for example, that the National Insurance Development Corporation, created by title XI, does not expire until April 30, 1976. I certainly hope that this does not mean that the proponents of this legislation envision that these inexcusable exercises in violence will last that long. I would say further, Mr. President, very frankly, that I do not believe the American people will tolerate extending a continuing reign of terror in our cities for that length of time.

Mr. President, the entire program apparently is based in large part upon the belief that riots are here to stay. That is the source of my greatest concern. We should give more attention to reestablishing law and order and making it clear that the law-enforcement agencies in this country will be fully supported with both the resources and authority with which to cope with these situations.

I do not contend that we should not have any program to assist the insurance industry in these unusual conditions. It is, of course, important under our system—against which these riots are directed—that we maintain reasonable insurance coverage in the riot areas. However, I do not accept the vehicle suggested and presented in the pending legislation. It contains too many potential dangers. It is my view that the situation should be more fully covered in hearings before we adopt any such far-reaching provision of law.

Mr. President, I believe it would have been more appropriate for the committee to have placed the reinsurance provision—if they were determined to bring

one to the Senate—in that title of the bill provide for urban renewal because I do not think it is unlikely that many people, including some Government officials, will view the proposal as a rather economical means of urban renewal.

Mr. President, I read the other day in the magazine section of the Washington Post for Sunday, May 5, 1968, a tremendously interesting article written by an anonymous Government girl—a Negro girl—with respect to the riots.

This Government girl told of her own experiences when she drove down into the riot torn area and became involved with some young acquaintance of hers who had picked up some bottles of whiskey in a liquor store, and she was arrested. I will not read the whole article, but I will read these two, very significant lines:

Most of the buildings that got burned should have. This would be viewed as Urban Renewal.

I present that to the Senate as the views of one of those who was arrested in the riots. She was an educated, young woman, and evidently a Government employee. She was arrested in the recent riots in Washington.

The article shows that she thought the burning was justified because it would produce an urban renewal program here in Washington.

I do not doubt the need for an urban renewal program in Washington. However, cities all over the land have communities needing urban renewal, and those cities have their applications in for urban renewal.

Buildings destroyed in riots by acts of lawlessness should not take priority in applications for urban renewal over buildings in cities that are able to maintain law and order and in which the sections of the cities that are fit subjects of urban renewal are not destroyed.

When we assure a city that the cost of rebuilding any structure destroyed in a riot will be defrayed by governmental units other than that city and that they will then make no contribution whatever thereto, then the incentive of city officials, who are primarily responsible for the enforcement of the law, is bound to be diminished. Almost all of the structures replaced would be, of necessity, of better quality than those destroyed in the ghetto areas, so that the residents of these areas, also, will know full well that the quality of their neighborhood structures will have undergone an urban renewal primarily at the expense of others after those structures have been destroyed by burning.

Mr. President, of course, to me, one of the most undesirable aspects of the whole proposal is the discrimination against those areas of the country that do enforce the law and intend to enforce the law. This discrimination will be brought to bear by requiring, on a tremendously increasing scale in the future, those municipalities and States, in common with others who do not intend to try to enforce the law, to pay for this plan of indirect urban renewal. In effect, we will be telling those who do not intend to tolerate these exercises in violence that they will nevertheless be expected to participate in the program of absorb-

ing the losses brought about in other areas of the country, partly because the officials, for whatever reason, will not fulfill their responsibility for the maintenance of law and order.

I do not believe that it is either a wise policy or an equitable policy in regard to the many responsible officials and citizens who do not plan to or, indeed, will not tolerate, the mounting financial losses from riots.

Mr. President, this title provides that the reinsurance provision of the law should be administered by the National Insurance Development Corporation within the Department of Housing and Urban Development.

Mr. President, very briefly I think that this provision should be stricken from the bill, primarily for three reasons.

First, it creates a new agency, and we have created so many thousands of agencies of the Government in the last few years that there is not a single Senator and, indeed, I doubt if there are 10 Senators combined who could sit down and name all of the agencies of the Government that are in operation today, including all of the many corporations that we have created.

I am congenitally opposed to the creation of new agencies of the Federal Government to solve every possible problem with which we are faced. I am opposed to it because it creates a new system of spending obligation that is beyond the reach of Congress in this case if we find it necessary to cut appropriations. This agency is given the power, if it runs out of funds, to go to the Treasury, deposit its notes, get the money and thus bypass the appropriations authority of Congress.

In any emergency that might cause us to find it necessary to cut Government spending, this agency would go right along with those others that we hear so much about and that hamper us so much in our economy efforts, because they do not operate on appropriated funds.

This agency would not operate on appropriated funds. When the finances created by the pending bill are exhausted, the Corporation would put up its notes or bonds and draw the money from the Treasury directly.

Mr. President, I have always had doubts about the constitutionality of that system, but it is employed by other corporations that spend money that is not appropriated in the manner prescribed by the Constitution.

The Constitution says that that practice is not valid. But it has been challenged and I understand that the courts of last resort have passed on the matter.

The measure does provide for large sums of money, if the Corporation incurs large losses, to be obtained and expended without Congress appropriating the funds; and it places the expenditure of these funds and the amount beyond the reach of Congress, unless it decides to undertake to abolish the Corporation.

Mr. President, this amendment should prevail, for the reason to which I have already adverted, namely, that the cities of this country, under our system, have up until now, at least theoretically, had the primary obligation for the enforcement of law and order. They have had



the responsibility for the administration of these various programs, and in most of them they have been required to participate financially. In the case of the administration of this program, they contribute nothing. They have no responsibility whatever as to its operations, though the funds are paid into and are expended within the cities.

Mr. President, I am opposed to this measure also because, in my judgment, in the manner in which this one is set up, it will tend to encourage rather than to discourage riots and civil disorders that have brought about so much destruction. I believe that this bill and this whole system—this whole subject—is properly within the jurisdiction of the Committee on Finance of the Senate and should be handled there. As the chairman said, the committee was considering a program for including this subject.

Mr. ANDERSON. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. ANDERSON. I might be accused of self-interest, because I am the chairman of the board of an insurance company. I believe this is a very bad precedent, a very bad policy. I do not believe any funds should be developed in any way until the matter has been studied very carefully by Members of Congress and by the Committee on Finance, of which I am a member. The matter should be the subject of long hearings. We have had compulsory pools. We have had long hearings. I believe there should be long hearings on this matter, and I support the amendment of the Senator from Georgia.

Mr. RUSSELL. Mr. President, it is gratifying to me that the Senator from New Mexico is of that opinion, because undoubtedly he knows more about insurance than any other Member of the Senate. He has been engaged in the insurance business all his life. He is trying to do the best for the insurance companies, for the insured, for the cities, and for the Treasury of the United States.

It was said on the floor of the Senate yesterday, Mr. President, that the cities ought not participate in this program because the cities were already in bad shape financially, and that is true. That is true down to the small towns. I live in a small city of about 7,000 or 8,000 people. It is hard pressed financially, and whenever they raise the tax 5 mills, a great howl goes up to high heavens. Every activity of government in this country is hard pressed financially.

The PRESIDING OFFICER (Mr. SPONG in the chair). The time of the Senator has expired.

Mr. RUSSELL. I was assured that I would have some time on the bill.

Mr. TOWER. I yield 5 minutes on the bill to the Senator from Georgia.

Mr. RUSSELL. Mr. President, with respect to the information about this indebtedness, the total indebtedness of local governments—the latest figure available from the Library of Congress—is \$77.5 billion. That is a per capita obligation of \$396 for the residents of these cities. The State governments are much better off, to my surprise. They have a total obligation of \$32.5 billion and a per capita obligation of \$164.

But the Federal Government, Mr.

President, upon which this provision places the main burden, has a total indebtedness, as of May 20, 1968, of \$355,400,000,000. On a per capita basis, it amounts to \$1,769, which is more than twice the combined per capita obligation of the cities and the States. Yet, we place all of this eventual obligation on the Federal Government and on the Federal taxpayers.

I hope the Senate will consider this amendment seriously and will vote this title out of the bill.

Mr. SPARKMAN. Mr. President, I am sorry that this amendment has been offered, because I believe that this is a vital portion of the bill.

I say to the Senator from Georgia that the Banking and Currency Committee had 2½ days of hearings on this specific proposal. I refer the Senator to the table of contents of the hearings, page VI. There were 2 complete days of hearings. Then, on the third day, Mr. James L. Bentley, president of the National Association of Insurance Commissioners, who is from the State of Georgia, appeared as a witness. His testimony consumed a good part of the third day. I believe we did go into this matter thoroughly.

Mr. President, the consideration of the insurance problem did not start in the Senate with this bill. We began consideration of this problem more than a year ago. The Senator from Florida [Mr. SMATHERS] was the first to bring it up, when he introduced a bill and conducted hearings in the Select Committee on Small Business on the subject of crime in the city of Washington. He first considered the problem at the local level, in the District of Columbia. Witnesses appeared before the subcommittee and testified about their places having been robbed or subjected to burglaries and holdups. In many instances the owner had been shot and almost every crime against person and property that anyone could think of had been committed. That was the beginning of the study by the Senate of this subject.

The Senator from New Hampshire [Mr. MCINTYRE], who is chairman of the Subcommittee on Small Business of the Committee on Banking and Currency, held hearings on proposed legislation to help alleviate the serious lack of crime protection insurance to small business.

Finally, this year's housing program, submitted by the administration, contained a proposal for insurance that would provide greater availability of essential property insurance to all property owners in all urban areas.

Mr. President, I say to the distinguished Senator from Georgia that I do not know of any subject in this bill or any other bill that has received more hard, concentrated thinking and work to develop it. The program was worked out with the insurance companies of America, with the State supervisors of insurance, and with officials of the Federal Government.

Something was said about the great call on the Treasury and about the amount of money involved. As a matter of fact, the best estimate of insured losses arising from the 1967 riots that could be arrived at was between \$50 and \$75 million. That represents the total

insurance liability growing out of the riots of 1967. The bill requires this much to be raised by the reinsurance premiums. If this, along with the other financial responsibilities, is not ample and if there is any backup by the Federal Government, it should be remembered that the money borrowed from the Treasury for this purpose must be repaid. It is not a loss to the Federal Government. The Federal Government backs it up for the time being.

But this insurance corporation receives premiums from the insurance companies of America and, potentially, from the State governments. If the authority to borrow from the Treasury is utilized, the money must be paid back, primarily by reinsurance premiums received subsequently.

I yield to the Senator from New Hampshire.

Mr. MCINTYRE. Mr. President, I wish to emphasize what the chairman of our committee has said. This proposal is not something new which was developed here in the last day or two, or in the last month or two.

The Senator from Florida [Mr. SMATHERS] held hearings on this problem over a year ago, in April of 1967.

My own Subcommittee on Small Business held hearings on similar legislation last fall.

I see in the Chamber the junior Senator from Illinois, who serves on the Subcommittee on Small Business. The Senator from Pennsylvania [Mr. SCOTT], the Senator from New York [Mr. JAVITS], and the Senator from Florida [Mr. SMATHERS], all of us found a pressing need to do something in this area.

It started originally, as the Senator from Alabama said, with the "mom and pop" type store, the small neighborhood business. Then we found it was involved with the riot problem. I do not see this title as a big city bill. I do not see it as an attempt to take the money of rural taxpayers and rebuild the ghettos.

In my small but great State of New Hampshire we have had two riots in the last few years, one of serious proportions at Hampton Beach. This was brought out in the hearings.

This program is absolutely essential to the small bakery shop, the small food store, and the other little businesses which find themselves without any ability to obtain any insurance. Even where insurance is available, the rates are so intolerably high that they cannot afford it, and so they crumble away. They leave the ghetto, which becomes a more hopeless part of the community without them.

Mr. President, there is a strong desire among the members of the committee to retain this part of the bill.

Mr. MUSKIE. Mr. President, will the Senator yield?

Mr. SPARKMAN. I yield.

Mr. MUSKIE. Mr. President, I think that from my point of view the persuasive consideration that led to my support of this provision of the bill is stated in one paragraph on page 87 of the report. It reads as follows:

The facts developed during the various hearings point out the insurance crisis in our cities. The deterioration of many inner city areas is threatening the economic and



social health of the cities as a whole. This deterioration has, in too many cases, caused the owners of well-maintained properties and businesses to be unable to obtain adequate property insurance against fire, crime, and other perils because of the general location of the property in a high-risk area or because of its proximity to dilapidated or hazardous structures.

In other words, here is a risk against which the resources of the private insurance companies are inadequate.

I wish to point out that, with respect to the private power companies of this country and the construction of nuclear powerplants, private insurance was similarly inadequate and so Congress has provided Government-subsidized insurance to protect the private power companies against a risk which the private insurance industry is unable to cover.

So the private power companies, with the help of Government-supported insurance, are protected and given insurance at a fraction of the cost they would have to pay to private insurance companies.

Now, Mr. President, if it is appropriate for us to provide this kind of protection for an industry with such resources as the private power industry of this country, it seems to me a perfectly appropriate precedent for the kind of protection we are seeking here for businesses which are essential to the vitality and development of the ghetto areas of our cities. This is one of the reasons I support this provision of the bill.

Mr. SPARKMAN. Mr. President, I wish to ask the Senator this question: Is the manner in which the Federal Government underwrites private power companies with insurance similar to the provisions in this bill?

Mr. MUSKIE. I do not know the details sufficiently to make that comparison, but it is Government-supported insurance, to the best of my knowledge, and it is not paid for by private power companies, except perhaps a fraction of the cost.

I was hoping that the distinguished Senator from Rhode Island would be in the Chamber, because he knows this provision of the law in much greater detail than I do.

Mr. SPARKMAN. Is it not true that in the provision we are now considering, the Federal Government must be repaid any money it expends to pay reinsurance losses?

Mr. MUSKIE. The Senator is correct. I wish to emphasize in connection with private power companies that insurance is Government subsidized. I do not have the details on which the subsidy is provided.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. SPARKMAN. I yield.

Mr. PROXMIRE. Mr. President, I wish to follow up what the distinguished Senator from Maine has said so well and I wish to emphasize that there was a study, to which the Senator referred, made by a panel headed by Governor Hughes of New Jersey. He made a significant observation in his opening remarks when he appeared before the committee, as is shown on page 541. He said:

We note first in our committee, and I think that it is a valid conclusion and I think many people are coming to share it, that the real issue confronting this insurance panel was not one that grew out of the riots as thought the riots in our cities had created this problem, but one that was highlighted by these disorders. And the real problem was the unavailability, and it has existed for some years, and shortage of insurance.

Governor Hughes continued and said:

It is a historic fact, Senator, and I am delighted that you commented on it. Many of us are inclined to believe that all these things occurred just recently. That is not so at all. We have seen over these years our urban centers deteriorate and our structures decay and decline, as the criminal rate grows, and the insurance losses increase. As the loss ratios increase, the desirability of center-city business has decreased until it is most difficult, if not impossible, for the homeowner and the small businessman to obtain adequate coverage at a reasonable cost, or often at any cost.

Mr. President, it is very important that we note that this is not something that grew up because of the riots in 1967. This is a continuing problem and this is the way the Hughes committee tried to deal with it.

Mr. PERCY. Mr. President, will the Senator yield?

Mr. SPARKMAN. I yield to the Senator from Illinois.

Mr. PERCY. Mr. President, I wish to say to the distinguished Senator from Georgia that, as the ranking minority member of the Subcommittee on Small Business, I found throughout the hearings that many of the points the Senator raises are perfectly valid.

The question is whether we would be discriminating against those who do enforce the law as distinguished from those who do not enforce the law. I am the first person to defend the mayors of our great cities. I do not believe the analysis can be made with respect to the riots. We have much to learn with respect to riots and civil disobedience on a massive scale, but it is my impression that the cities have invested a tremendous amount of money in law-enforcement agencies and law-enforcement officers, in increasing their budgets substantially to maintain law and order, and they have moved swiftly and they have not hesitated to call in the National Guard and the Federal troops, if necessary.

This is not the great problem. The question which must be raised is whether insurance should be available to small businesses to maintain protection against their inventories. It simply was not available and until such time as there is insurance available to the private sector, something must be done with respect to the thousands of people living in riot areas who were the victims of the riots and who did not participate in them.

I walked down the streets of Newark, N.J., a year after the riots there, and I have talked to many of the people. Even today many of the small businesses there have not been restored and as a result the families many times have to walk a mile to get groceries or to do their laundry, when formerly they had these facilities within a block or two of

their homes. These people are the victims of the disorders. We have to find ways to get small businesses back into the area to service them as before.

Furthermore, the small businesses need the help of insurance companies. They have to have incentive to take protective measures to guard against riots, vandalism, or whatever it may be.

I think they are learning a great deal about how to protect their businesses. By enabling them to pool their resources and by having the Government back them up as a last resort, and by not establishing government corporations in the first instance, but by using all the facilities of the private sector first. I think we have developed a very good bill which is in the public interest, and one which I firmly support as a former businessman and now a public office holder.

Mr. MCINTYRE. Mr. President, will the Senator from Alabama yield?

Mr. SPARKMAN. I yield.

Mr. MCINTYRE. I would like to emphasize, as the Senator from Georgia [Mr. RUSSELL] has stated, if a State does not desire to come into the program, it does not have to. Is this your understanding?

Mr. SPARKMAN. Yes. It is a voluntary undertaking. Each State that comes in undertakes to form a State fair plan.

Mr. MCINTYRE. I thank the Senator.

Mr. RUSSELL. It is clear that the Senators opposing this amendment have destroyed a strawman here, but my basic objections still stand. I do not like to see any program predicated upon anything so vague and uncertain as this. There is nothing in the testimony to which the Senator refers about it. I ask the Senator from Alabama now, what would it have cost if it had been in effect over the period of the last year? There are absolutely no figures given on it that we could find in the hearings.

Mr. SPARKMAN. For 1967?

Mr. RUSSELL. Yes. This is too vague and uncertain, in the conditions we face today. We have had reinsurance programs before, but I think the Senator will find, if he looks into it, that they are more definite than this. This is not only voluntary to a State but it is also voluntary to an insurance company. They do not have to participate if they do not wish to. They can refuse to write this kind of policy altogether. If they do write it, they have to come into the program. I say this with all deference and respect, but it seems to me that the way this is presented is rather half-baked.

Mr. SPARKMAN. The Senator is correct about the voluntary matter, but that is the only way it should be. I am not sure he would be in favor of having enforced participation.

Mr. RUSSELL. No, I would not object to having it enforced if the insurance companies did not want to insure in a State.

Mr. SPARKMAN. That is all right if they do it State by State.

Mr. RUSSELL. They can withdraw from this high liability provision, but they do not have to do it.

Mr. SPARKMAN. Every major insurance company in the United States is strongly in favor of this program. The



program has been worked out carefully with them, with the State insurance supervisors, and with Federal officials.

### ORDER OF BUSINESS

Mr. SPARKMAN. Mr. President, I ask at this point that I may yield to the Senator from New Jersey for a brief time, for the purpose of introducing some visitors to the Senate, without the time being charged to either side.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Alabama? The Chair hears none, and it is so ordered.

### VISIT TO THE SENATE BY THREE MEMBERS OF THE PARLIAMENT OF MALI

Mr. CASE. Mr. President, it is our pleasure today to have as visitors to the Senate three members of the Parliament of the Republic of Mali who are visiting in the United States at the invitation of the Department of State.

It is my pleasure to present them to the Senate at this time.

First, the Hon. Yacouba Maiga. [Applause.]

Mr. Maiga is a member of the National Committee for the Defense of the Revolution—CNDR—and Chief of the CNDR Policy Committee; First Vice President of the Legislative Delegation, and Minister-Delegate to the Presidency.

Next is Mr. Sory Ibrehim Wane. [Applause.]

Mr. Wane is a member of the Economic and Financial Commission, CNDR.

The next member is Mr. Amadou Diakite. [Applause.]

Mr. Diakite is Precinct Youth Captain, Bamako.

### RECESS

Mr. CASE. Mr. President, I ask unanimous consent that the Senate stand in recess for 3 minutes for the purpose of greeting our distinguished guests.

The PRESIDING OFFICER. Without objection, it is so ordered.

Thereupon, at 3 o'clock and 24 minutes p.m., the Senate took a recess until 3 o'clock and 27 minutes p.m.

During the recess, the distinguished guests were greeted by Members of the Senate.

On expiration of the recess, the Senate reassembled and was called to order by the Presiding Officer (Mr. SPONG of Virginia).

### HOUSING AND URBAN DEVELOPMENT ACT OF 1968

The Senate resumed the consideration of the bill (S. 3497) to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development.

Mr. SPARKMAN. Mr. President, the Senator from Florida [Mr. SMATHERS], who really originated this insurance idea so far as action by the Senate is concerned, unfortunately is not able to be present in the Chamber today. However, he prepared and left with me a statement that he would like to have given to

the Senate in the course of this debate, and I ask unanimous consent to have it printed in the RECORD, together with a letter to the editor, referred to in the statement.

The PRESIDING OFFICER. Without objection, it is so ordered.

The statement of Senator SMATHERS and the letter to the editor are as follows:

Mr. SMATHERS. I wish to direct my remarks to Title XI of S. 3497, which would by amendment of the National Housing Act create a National Insurance Development Corporation within the Department of Housing and Urban Development.

In its report on this bill, the Banking and Currency Committee graciously acknowledged the pioneer work done by the Senate Small Business Committee in spotlighting the almost total lack of insurance protection for small businessmen and other property owners in the high-risk and low-income neighborhoods of our inner cities.

The Small Business Committee did indeed hold extensive hearings in April, 1967 in an effort to evaluate the impact of urban crime on small businesses located in or adjacent to the ghetto areas of our cities. This inquiry necessarily included an examination of the extent to which insurance protection is available to small firms.

As a result of our Committee's finding that small businessmen in high-risk localities either were unable to obtain insurance or were forced to pay prohibitive premiums, a year ago I introduced S. 1484, a measure designed to bridge this insurance gap which has such a crippling impact on small store owners in our low-income metropolitan neighborhoods.

Hearings were then held on my bill by the Small Business Subcommittee of the Banking and Currency Committee. Subsequently, the Subcommittee reported S. 1484, with amendments, to the Banking and Currency Committee. The insurance provisions of S. 3497, then, are the product of careful study by the Small Business Committee, by the Small Business Subcommittee, and by the full Banking Committee.

Title XI of S. 3497, Mr. President, has my full support. It is more than a good amendment. It is an imperative legislative proposal—if this Congress has any intention of making it possible for merchants and other property owners in the poverty-areas of our cities to continue in business. And continue they must, or we will surely witness further deterioration of these blighted localities and all our efforts directed at the physical and economic rehabilitation of these areas will come to naught.

It should be borne in mind, Mr. President, that the hearings of the Small Business Committee on the impact of crime on small businessmen were held prior to the recent riots which devastated so many of our inner cities. Last year, we were concerned with more or less routine criminal acts; the around-the-clock burglaries, robberies, and senseless acts of vandalism which make life a nightmare for small merchants in the poor and run-down neighborhoods of our cities.

We sought answers to three basic questions:

Does small business need insurance protection against crime?

Is such insurance available at reasonable rates?

Is there a need for a Federal factor to assure the availability of insurance in high-crime neighborhoods?

We found that following a single robbery or burglary, a small businessman's insurance premiums jumped as much as 100 percent. Just as often, the policy was canceled outright.

We found that only 11 percent of all business units have insurance against glass breakage.

We were told that in the Fillmore district of Chicago, almost a third of the merchants questioned stated that they met with outright refusals in their efforts to buy insurance policies against thefts.

Furthermore, Mr. President, statistics of the National Bureau of Casualty Underwriters reveal that between 1964 and 1966, premium rates in the District of Columbia for burglary and robbery rose an average of 61 percent. The increase for small retailers increased 87 percent, and mercantile safe insurance rose more than 100 percent.

These are the hard facts. Inner-city small businessmen simply cannot afford property insurance even when such protection may be available. More often than not, such protection cannot be purchased at any price.

Our experience of the past few months, with its widespread destruction of property cries out for a promptly implemented cooperative effort by the Federal Government, by the States, and by the private insurance industry to provide that insurance protection which is an absolute prerequisite of maintaining and of rehabilitating the economic life of our inner-city neighborhoods.

At this point in my remarks, Mr. President, I request that there be printed a letter which appeared in the Washington Star of May 24, 1968, headed "After 44 Years in Business." This letter to the editor tells the tragic story of a family which operated a hardware store in the District of Columbia for almost half a century. After recounting the losses which this business suffered since April 5 of this year, the letter states: "Now we receive word that the insurance on our building is to be canceled."

### AFTER 44 YEARS IN BUSINESS

SIR: We are owners of a hardware store in Northeast Washington. We write in behalf of the many who share our problems. We have obeyed the laws, paid our taxes, and insured ourselves, though it was expensive. We are more than equal-opportunity employers, as the majority of our help is Negro, and has been for years. We have been father-confessor, banker and adviser to our customers, with whom we have dealt honestly and fairly. We are charter members of the Business and Professional Association of Far Northeast, and have worked diligently for local improvements and closer cooperation between consumers and merchants. We are for civil rights for all men.

Prior to April, 1968, we had lost money on bad checks, burglary, shoplifting, and vandalism, all repaired or replaced at our expense. We have taken needed hours from our business to set in court at the request of the police, only to see the judges postpone the cases or dismiss the defendant. We are constantly in need of more reliable help. We have had trouble for years.

Since April 5, 1968, we have been the victims of repeated looting, and vandalism. Our store was closed for two weeks in order to repair the major damage done to us on that date. Since we reopened for business, we have been broken into twice and have had numerous broken windows and doors.

Insurance may or may not cover a portion of these expenses. The bills for repairs to our property, and merchandise and equipment that was damaged or stolen are arriving daily. We have lost our expected busy spring season. We are frustrated with the past and pessimistic about the future.

Now, we receive word that the insurance on our building is to be canceled. Since conditions in the District are so bad, this could be the end of our business. We can obtain jobs in the suburbs and lower our standard of living. We can do without the responsibilities of owning a business and all that entails. We can manage. We will not need welfare.

But the taxes the District collects will be lost. All of our years of endeavor will be



wasted. Our employees will probably need some financial assistance. Our customers will lose the convenience and service they depend on.

To our way of thinking, this benefits no one and hurts many. Is this what is to become of us after forty-four years in business? Is that what is to become of our employees who have been responsible supporters of their families? Is the city to be left an empty shell of families living on relief?

Citizens must be protected. Criminals must be jailed. The police must have the men and the methods to do this. Businessmen must be able to obtain insurance. We are willing to pay for it. Of all the groups now clamoring for help, how many are offering to help themselves as we have done and hopefully will continue to do?

We and all the others in our predicament are watching our life's work go down the drain, along with our children's education and our security.

ABRAHAM and IDA WOLF.  
HARVEY and FREEDA WOLF.

Mr. SMATHERS. Title XI of S. 3497, Mr. President, should meet with the approval of all who are concerned with preventing our inner cities from becoming economic wastelands. The National Insurance Development Corporation which would be created by this amendment places the responsibility of maintaining the economic viability of our inner cities where it should be—upon the States and upon the insurance industry, with the full cooperation of the Federal Government as a reinsuring agency.

Thus we have in this amendment a blueprint for a workable partnership to provide insurance protection for the innocent victims of criminal acts.

This legislation is desperately needed by those whom it will serve and I urge its favorable consideration.

Mr. MUSKIE. Mr. President, the distinguished Senator from Georgia has expressed concern as to the impact of the provisions of the bill upon the Treasury Department. I think we do have some experience which is relevant to that point which should be made a matter of record.

For example, I understand that the insured riot losses which occurred in 1967 were between \$50 million and \$75 million. The bill provides that the reinsurance premiums charged by the National Insurance Development Corporation must be sufficient to collect this amount, so that if the riot losses do not exceed the experience of 1967, the reinsurance premiums would cover that loss, as I understand it.

Mr. SPARKMAN. That is correct.

Mr. MUSKIE. In addition, it is estimated that the potential retention of losses by the industry on a nationwide basis will amount to another \$75 million. Finally, the bill as it now stands would provide that the States would be potentially responsible for another \$75 million. That is a total of \$200 million worth of coverage without the Treasury's borrowing authority being relied upon at all.

I understand that these figures are the product of staff research into the question. Do I correctly understand that?

Mr. RUSSELL. If the Senator from Alabama would allow me to answer that, we must be reading different bills. The bill I have been reading, and the one I am seeking to amend, is that the State pays 5 percent of the premium under the losses, and all the insurance companies have to pay is on the premiums, and not

\$75 million. It has no connection whatever with what the distinguished Senator from Maine has said.

At least, the bill and the committee report that comes out of the Banking and Currency Committee referred to the premiums paid on the policies, and not the amount of the policies.

Mr. SPARKMAN. I think, though, that the figures are arrived at in retrospect of the 1967 losses, and the 5 percent is calculated to bring that much on the premiums.

Mr. RUSSELL. In the report it says 5 percent of the premiums, not of the amount that is paid out in losses.

The Senator from Maine does not give the figures as to what is collected in premiums. He speaks only of the losses. What is the amount of the premiums? That is what the bill deals with.

Mr. MUSKIE. May I say to the Senator that, as I understand it from the staff assistant who gave me these figures, the \$75 million that I attributed as the responsibility of the States represents 5 percent of the insurance premiums generated within the country. This is the 5 percent of those insurance premiums for which the States are responsible under the provisions of the bill. Those premiums are available for the losses that exceed the amount of insurance, the excess held against losses.

Mr. RUSSELL. In the first place, it does not apply to all the States, and it cannot, because some of their constitutions will not allow that. So the figures the Senator gives are almost meaningless.

Mr. MUSKIE. I disagree. The Senator is speculating in the wild blue yonder about the cost to the Treasury. I think it is perfectly permissible, the Senator having raised this question, which lies in the field of speculation, to suggest what the impact will be on the insurance companies, on the States, and on the Treasury.

Mr. RUSSELL. Can the Senator give us what was the total of the premiums paid on this type of insurance policy last year, and where is it in the record?

Mr. MUSKIE. The \$75 million that I have been referring to here as the amount the States would be responsible for, if all the States participated, is 5 percent of the insurance premiums generated by reinsured lines of property insurance. So the total of the premiums would be 20 times that.

Mr. RUSSELL. I am not skilled enough in the science of insurance to know whether that is correct.

Mr. MUSKIE. It is a simple problem of mathematics. I will be glad to work it out.

Mr. RUSSELL. In other words, the premium is one-twentieth of the amount of the policy?

Mr. MUSKIE. No. I gave the amount that would be generated by the States by retaining responsibility up to 5 percent of the premiums. I am trying to work backwards on the floor to arrive at an answer which is responsive to the Senator's question, and that would be one-fifth—

Mr. RUSSELL. How much?

Mr. MUSKIE. One-fifth of the premiums.

Mr. RUSSELL. On this type of insurance? I hope the RECORD will be left that way, so I can check into it. I cannot believe it will be that amount.

Mr. MUSKIE. That is the information from the staff who worked on that.

Mr. RUSSELL. The Senator says one-fifth is paid in premiums on this particular type of insurance. I will be very surprised—

Mr. MUSKIE. All property insurance.

Mr. RUSSELL. I am not talking about all property insurance. This bill does not go to all property insurance. It only goes to this high-cost insurance that applies to riot risks.

Mr. MUSKIE. As I understand it, the percentage is based upon the premiums earned on all reinsured lines of property insurance, and not just in the ghettos.

Mr. RUSSELL. So the Federal Government is now preparing to reinsure all property insurance in the United States?

Mr. MUSKIE. No. The proposal is to provide reinsurance to cover only riot losses. But, the formula for determining the responsibility of the State is related to all property insurance coverage which is reinsured. I emphasize what the Senator from Alabama pointed out—that this was worked out with the insurance companies. It is worked out with the State insurance authorities. There are no surprises on this.

Mr. RUSSELL. There are surprises, because those figures do not appear in the record, or if they do, I could not find them, and I looked it over.

Mr. MUSKIE. The staff says the Senator is correct, that they do not appear in the hearings, and that is the purpose of providing them on the floor. I have to rely on the staff as well. I was not involved in the subcommittee hearings on this bill, and so I am trying to provide information that is available through the staff.

Mr. RUSSELL. I would imagine one-fifth on all, the total, insurance coverage in the country might be about right.

Mr. MUSKIE. The Senator is correct.

Mr. RUSSELL. But the coverage of the reinsurance that we are dealing with here cannot possibly cost any one-fifth. It is a very small proportion of the total insurance in the United States.

Mr. MUSKIE. May I say to the Senator, to make it perfectly clear, and I understand this is reinforced by the staff, that these figures of the revenues that are generated—and that is the formula of the bill—relate to all insurance. Five percent of the revenues generated amount to \$75 million. That relates to all insurance. But the reinsurance relates to riot losses, and not all property losses.

Mr. RUSSELL. Of course, the staff may find it, but I have been unable to so find, in the bill or in the record, just how much the insurance companies are going to contribute to the fund. As I understand the bill, it is left to future negotiation and contracts, and here the Senator gives us a definite figure when we have no contract and we do not even know who is going to make it.



Mr. MUSKIE. Those contract negotiations are aimed at a figure of \$75 million.

Mr. RUSSELL. How can the Senator predict that?

Even if he knows who is going to be named head of this corporation, that is purely an assumed figure. There is no 5 percent in the bill, except as to the amount to be contributed by the States.

Mr. MUSKIE. The guidelines on this subject, may I say, are found on page 95 of the report, the second full paragraph. I ask unanimous consent that that paragraph be inserted in the RECORD at this point.

There being no objection, the extract was ordered to be printed in the RECORD, as follows:

Section 1222(b) of the proposed new title would provide that the reinsurance offered shall reimburse an insurer for its total proved and approved claims for losses resulting from riots or civil disorders during the term of the reinsurance contracts, in excess of the amount of the insurer's retention of such losses as provided in the reinsurance contract. The typical insurance company retention of loss arrangement is expected to involve two features: (1) An initial retention of losses, equal to a percentage of premiums earned in a State on lines reinsured, plus (2) the assumption of an additional percentage of total losses, above and beyond the initial retention. For illustrative purposes, the first percentage might be assumed to be 3 percent. Assuming that premiums earned in the State on reinsured lines amounted to \$100 million, the insurers' initial retention would be \$3 million (\$100 million times 3 percent). If the second percentage is assumed to be 10 percent, and the total insured claims from riots and civil disorders by companies doing business in the State in a calendar year amounted to \$45 million, the additional insurers' retention of losses would amount to \$4.2 million (\$45 million less the \$3 million initial retention times 10 percent). Thus, the private insurers' retention of riot losses from their own resources would be \$7.2 million.

Mr. MUSKIE. One of the guidelines is this:

The typical insurance company retention of loss arrangement—

This is directly responsive to the point made by the Senator from Georgia—

The typical insurance company retention of loss arrangement is expected to involve two features: (1) An initial retention of losses—

This relates to the insurance companies—

equal to a percentage of premiums earned in a State on lines reinsured, plus (2) the assumption of an additional percentage of total losses, above and beyond the initial retention.

Those guidelines apply to the obligation expected to be assumed by the insurance company.

The PRESIDING OFFICER. The time on the amendment has expired.

Mr. RUSSELL. Mr. President, I am glad the Senator put that in the RECORD, because it does not say anything about any 5 percent.

The PRESIDING OFFICER. The time on the amendment has expired. Who yields time on the bill?

Mr. RUSSELL. Mr. President, that paragraph went into the RECORD, did it not?

The PRESIDING OFFICER. Yes.

Mr. RUSSELL. I invite the attention of all Senators to it to see if it confirms the statement made.

#### EXHIBIT 1

#### TEXT OF PROPOSED BILL TO ALLOW A TAX DEDUCTION FOR ADDITIONS TO CATASTROPHE RESERVES OF FIRE AND CASUALTY INSURANCE COMPANIES

*Be it enacted by the Senate and House of Representatives of the United States of America, in Congress assembled, That—*

SEC. 832(b)(4) be amended to read as follows:

"(4) PREMIUMS EARNED.—The term 'premiums earned on insurance contracts during the taxable years' means an amount computed as follows:

"(A) From the amount of gross premiums written on insurance contracts during the taxable year, deduct return premiums, premiums paid for reinsurance, and accumulations as may be required by State law to catastrophe reserves.

"(b) To the result so obtained, add withdrawals from, or reductions in catastrophe reserves for any nonconforming use, and unearned premiums on outstanding business at the end of the preceding taxable year and deduct unearned premiums on outstanding business at the end of the taxable year.

"For the purposes of this subsection, unearned premiums shall include (1) life insurance reserves, as defined in section 806, pertaining to the life, burial, or funeral, insurance, or annuity business of an insurance company subject to the tax imposed by section 831 and not qualifying as a life insurance company under section 801, and (2) required by law for losses resulting from accumulations to catastrophe reserves required by law for losses resulting from catastrophes and insolvencies of other companies.

"The term 'catastrophes' includes but is not limited to riots, windstorms, floods, explosions, earthquakes, and insolvencies of other insurance companies. Nothing in this definition shall be considered to relate to mortgage guaranty insurance companies. The total accumulation in the reserve fund shall be limited to 10 per centum of the premiums earned during the preceding 12-month period on policies which embrace or encompass the specific hazard for which the reserve is created, or the amount provided by State law or regulation, whichever is lesser: *Provided however*, That the catastrophe reserve required by law for each specific insurance hazard is not excessive in proportion to the total hazard in force, and that there is an orderly diminution of such reserve in proportion to the diminution of hazard. For purposes of this subsection, unearned premiums of mutual fire or flood insurance companies described in section 831(a)(3)(B) means (with respect to the policies described in section 831(a)(3)(B)) the amount of unabsorbed premium deposits which the company would be obligated to return to its policyholders at the close of the taxable year if all of its policies were terminated at such time; and the determination of such amount shall be based on the schedule of unabsorbed premium deposit returns for each such company then in effect. Premiums paid by the subscriber of a mutual flood insurance company referred to in paragraph (3) of section 831(a) shall be treated, for purposes of computing the taxable income of such subscriber, in the same manner as premiums paid by a policyholder to a mutual fire insurance company referred to in such paragraph (3)."

Mr. SPARKMAN. Mr. President, if the Senator is ready to yield back his time, I am ready to do so.

Mr. BYRD of Virginia. Mr. President,

before time is yielded back, may I ask a question?

Mr. SPARKMAN. I yield time to the Senator from Virginia.

Mr. BYRD of Virginia. Mr. President, the latter part of page 181 of the bill states: "provide a Federal program of insurance," and so forth.

Mr. SPARKMAN. To what page does the Senator refer?

Mr. BYRD of Virginia. Page 181. My question is directed to the next few words: "and placing appropriate financial responsibility upon the States to share in such losses."

My question is, Will the Senator from Alabama interpret what the committee had in mind when it said "placing appropriate financial responsibility upon the States"?

Mr. SPARKMAN. Is that page 181?

Mr. BYRD of Virginia. Page 181 of the bill, the last two lines.

Mr. SPARKMAN. I see; right at the bottom of the page.

Mr. BYRD of Virginia. At the bottom of the page.

Mr. SPARKMAN. Yes. This is in the statement of purpose, and, of course, under the mechanism that is set up, we have been talking about the 5 percent that the States are responsible for. They bear that potential responsibility.

But, I reiterate, the State financial burden is contingent upon the industry retention and the reinsurance premiums in the State proving inadequate.

The insurance people tell us, and I believe they are the best authorities that we have, that they are confident that the reinsurance program will pay for itself, and that there will be no losses to the Federal Government. The State's responsibility is to assume the financial responsibility described, to set up the State fair plan and administer the program.

Mr. BYRD of Virginia. Then am I correct in understanding that the language saying "placing appropriate financial responsibility upon the States" merely applies to the cost to the State of establishing the plan?

Mr. SPARKMAN. The thing that the State has to do is to set up the program, the State fair plan, and administer it.

Let me refer to one further provision. I direct the Senator's attention to page 197, where we get to the conditions of reinsurance. It states, down near the bottom of the page—

A . . . fund established pursuant to State law, will reimburse the Corporation, in an amount up to 5 per centum of the aggregate property insurance premiums earned in that State during the preceding calendar year.

That is really the burden on the States.

Mr. BYRD of Virginia. That is the burden on the States?

Mr. SPARKMAN. That is right.

Mr. BYRD of Virginia. So the placing of appropriate financial responsibility is assumed to be 5 percent?

Mr. SPARKMAN. That is correct.

Mr. BYRD of Virginia. I thank the Senator.



The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Georgia.

Mr. MANSFIELD. Are the yeas and nays requested?

Mr. SPARKMAN. I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. HOLLAND. Mr. President, I ask unanimous consent that an excerpt from the report, consisting of pages 95, 96, and 97 down to the heading "Recovery of Premiums: Statute of Limitations," on page 97, be printed in the RECORD at this point.

There being no objection, the excerpt from the committee report (No. 1123) was ordered to be printed in the RECORD, as follows:

#### REINSURANCE AGREEMENTS AND PREMIUMS

Section 1222(a) of the proposed new title would authorize the Corporation, during the first year following enactment of the title, to enter into reinsurance contracts in consideration of payment of such premium or other charge which the Corporation deems adequate to obtain an aggregate fund in excess of the estimated amount of insured riot losses during 1967, assuming a substantial proportion of property insurance written will be reinsured. Thereafter, the Corporation may increase or decrease such premiums for reinsurance if it is found, after full consultation with the advisory board and the National Association of Insurance Commissioners, that such action is necessary or appropriate.

Section 1222(b) of the proposed new title would provide that the reinsurance offered shall reimburse an insurer for its total proved and approved claims for losses resulting from riots or civil disorders during the term of the reinsurance contracts, in excess of the amount of the insurer's retention of such losses as provided in the reinsurance contract. The typical insurance company retention of loss arrangement is expected to involve two features: (1) An initial retention of losses, equal to a percentage of premiums earned in a State on lines reinsured, plus (2) the assumption of an additional percentage of total losses, above and beyond the initial retention. For illustrative purposes, the first percentage might be assumed to be 3 percent. Assuming that premiums earned in the State on reinsured lines amounted to \$100 million, the insurers' initial retention would be \$3 million (100 million times 3 percent). If the second percentage is assumed to be 10 percent, and the total insured claims from riots and civil disorders by companies doing business in the State in a calendar year amounted to \$45 million, the additional insurers' retention of losses would amount to \$4.2 million (\$45 million less the \$3 million initial retention times 10 percent). Thus, the private insurers' retention of riot losses from their own resources would be \$7.2 million.

Section 1222(c) of the proposed new title would authorize the Corporation to include such terms and conditions in reinsurance contracts as are necessary to carry out the purposes of the title, but that such terms and conditions shall be uniform throughout the country. Nevertheless, to take account of the significant variations between the needs of insurers, the Corporation, in its discretion, may permit insurers to select from different specified levels of retention of losses, provided that the premium rates adequately reflect each level so retained by each insurer, and further provided that the premium rate for any given retention is uniform for all insurers throughout the country.

Section 1222(d) of the proposed new title would provide that reinsurance contracts will be for a term expiring on April 30, 1969, and on April 30 each year thereafter and shall be entered into within 90 days of the effective

date of this title or within 90 days prior to April 30 each year thereafter, or within 90 days after an insurer is authorized to write insurance in a State which it was not so authorized to write in the preceding year.

#### CONDITIONS OF REINSURANCE

Section 1223(a) of the proposed new title would set forth various conditions under which the Corporation will terminate existing reinsurance and will not offer new coverage on policies written after the termination date.

Paragraph (1) would provide that reinsurance will not be offered in any State if the State itself, its political subdivisions, or a governmental corporation or fund established pursuant to State law, does not assume a portion of the responsibility for assisting the Corporation to reinsure against losses resulting from riots or civil disorders, within 1 year after the effective date of the act, or if the appropriate State legislative body has not met in regular session during that year by the close of its next regular session. The State would not be called on to reimburse the Corporation until the reinsured losses paid by the Corporation in a calendar year are in excess of the total reinsurance premiums received in the State during the year, plus the excess of reinsurance premiums received in the State over reinsured losses paid by the Corporation during the preceding period measured from the most recent calendar year in which the State had reimbursed the Corporation for reinsured losses. After the Corporation has paid such amount of reinsured losses in a calendar year, the State would reimburse the Corporation for its additional reinsured losses in that State during the year, in an amount up to 5 percent of the aggregate property insurance premiums earned in the State during the preceding calendar year on those lines of insurance reinsured by the Corporation in the State. Under the foregoing formula, State sharing would not be required unless losses in a State exceeded the sum of (1) the premiums paid by the insurance industry for reinsurance in that State (premiums paid in the year in which the losses occurred plus premiums paid in previous years in excess of reinsured losses paid), and (2) the companies' retained losses. Assuming that the premiums earned in the State on reinsured lines amounted to \$100 million and that the premiums for Federal reinsurance would be 2 percent of such earned premiums, the first amount would be \$2 million. If the second amount of retained losses by the companies were \$7.2 million, the total would be \$9.2 million. Since total riot losses this amount, in this example (i.e., \$45 million), the State's share would be \$5 million (\$100 million times 5 percent). There would remain to be paid \$30.3 million (\$45 million less \$9.2 million less \$5 million). This amount would be paid by the Corporation, from premiums received from companies for reinsurance in other States.

Paragraph (2) would provide that reinsurance will cease to be available on new policies written in a State after 30 days following the Corporation's notification to the insurer that the Corporation, after consultation with the State insurance authority, finds that a suitable program, in addition to the plan set forth in part A, is required to make essential property insurance more readily available in the State without regard to environmental hazards, and that such program has not been adopted. This paragraph, however, would not become effective until 2 years after the effective date of this act, or at such earlier date as the Corporation, after consultation with the State insurance authority may determine.

Paragraph (3) would provide that reinsurance will cease to be available on policies written in a State after 30 days following notification to the insurer that the Corporation or the State insurance authority finds that the insurer is not fully participating in

the plan in the State, in an existing pool, or in any other existing program found by the Corporation to aid in making essential property insurance more readily available in the State. The Corporation could not make such a finding unless it has requested and considered the views of the State insurance authority, or the State authority has failed to respond to a written request for such views within a reasonable period of time.

Paragraph (4) would provide that reinsurance will not be available on new policies written by an insurer following a merger, acquisition, consolidation, or reorganization involving an insurer with reinsurance on one or more lines of insurance and an insurer with or without such reinsurance unless the surviving company meets the criteria of eligibility for reinsurance other than as provided in section 1222(d) and promptly pays any reinsurance premiums due.

Paragraph (5) would provide that reinsurance will terminate upon cancellation by the insurer.

Section 1223(b) of the proposed new title would provide that if reinsurance is terminated or canceled under this section coverage may continue for policies written during the time reinsurance was in force upon payment of an appropriate premium or other charge.

#### FINANCING THE REINSURANCE PROGRAM

The financing arrangement envisions a reinsurance program which can be self-supporting, drawing on reinsurance premiums paid by insurance companies and payments by the States to cover losses from riots and civil disorders which exceed the losses retained by the insurance companies. If riot losses throughout the Nation resulted in reinsurance claims in excess of the aggregate amount of reinsurance premiums received by the Corporation, the excess would be paid from funds borrowed by the Secretary from the Treasury, to be repaid from future reinsurance premiums. In the event that there is a need to borrow from the Treasury, the authorization in section 520(b) of the National Housing Act for mortgage insurance would be employed. This existing authorization for the Secretary to borrow funds for payment of mortgage insurance claims would be modified so that it could also be used for payment of claims under the reinsurance program. The similar financial requirements of these insurance programs makes this appropriate. The reinsurance program, like the mortgage insurance program, must provide an assurance of prompt payment of claims. In both cases the amount of claims cannot be determined in advance and in normal situations premiums are expected to be sufficient to pay anticipated losses.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Georgia. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. MANSFIELD (after having voted in the negative). On this vote I have a pair with the Senator from Colorado [Mr. ALLOTT]. If he were present and voting, he would vote "nay." If I were at liberty to vote, I would vote "aye." I withdraw my vote.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. BIBLE], the Senator from Hawaii [Mr. INOUYE], and the Senator from Missouri [Mr. LONG] are absent on official business.

I also announce that the Senator from Idaho [Mr. CHURCH], the Senator from Connecticut [Mr. DODD], the Senator



from Mississippi [Mr. EASTLAND], the Senator from North Carolina [Mr. ERVIN], the Senator from Oklahoma [Mr. HARRIS], the Senator from South Carolina [Mr. HOLLINGS], the Senator from Massachusetts [Mr. KENNEDY], the Senator from New York [Mr. KENNEDY], the Senator from Louisiana [Mr. LONG], the Senator from Minnesota [Mr. McCARTHY], the Senator from Wyoming [Mr. McGEE], the Senator from South Dakota [Mr. McGOVERN], the Senator from New Mexico [Mr. MONTROYA], the Senator from Oregon [Mr. MORSE], and the Senator from Florida [Mr. SMATHERS] are necessarily absent.

I further announce that, if present and voting, the Senator from Oregon [Mr. MORSE] and the Senator from Florida [Mr. SMATHERS] would each vote "nay."

On this vote, the Senator from North Carolina [Mr. ERVIN] is paired with the Senator from Oklahoma [Mr. HARRIS]. If present and voting, the Senator from North Carolina would vote "yea" and the the Senator from Oklahoma would vote "nay."

On this vote, the Senator from Louisiana [Mr. LONG] is paired with the Senator from New York [Mr. KENNEDY]. If present and voting, the Senator from Louisiana would vote "yea" and the Senator from New York would vote "nay."

On this vote, the Senator from Mississippi [Mr. EASTLAND] is paired with the Senator from Massachusetts [Mr. KENNEDY]. If present and voting, the Senator from Mississippi would vote "yea" and the Senator from Massachusetts would vote "nay."

Mr. DIRKSEN. I announce that the Senator from Vermont [Mr. AIKEN], the Senator from Kansas [Mr. CARLSON], the Senators from Kentucky [Mr. COOPER and Mr. MORTON], the Senator from Arizona [Mr. FANNIN], the Senator from Hawaii [Mr. FONG], and the Senators from California [Mr. KUCHEL and Mr. MURPHY] are necessarily absent.

The Senator from Colorado [Mr. ALLOTT] is detained on official business, and his pair has been previously announced.

If present and voting, the Senator from Arizona [Mr. FANNIN] and the Senators from California [Mr. KUCHEL and Mr. MURPHY] would each vote "nay."

The result was announced—yeas 10, nays 62, as follows:

[No. 167 Leg.]

#### YEAS—10

Anderson	Jordan, N.C.	Talmadge
Ellender	McClellan	Thurmond
Hayden	Russell	
Holland	Stennis	

#### NAYS—62

Baker	Fulbright	Metcalf
Bartlett	Gore	Miller
Bayh	Griffin	Mondale
Bennett	Gruening	Monroney
Boggs	Hansen	Moss
Brewster	Hart	Mundt
Brooke	Hartke	Muskie
Burdick	Hatfield	Nelson
Byrd, Va.	Hickenlooper	Pastore
Byrd, W. Va.	Hill	Pearson
Cannon	Hruska	Pell
Case	Jackson	Percy
Clark	Javits	Prouty
Cotton	Jordan, Idaho	Proxmire
Curtis	Lausche	Randolph
Dirksen	Magnuson	Ribicoff
Dominick	McIntyre	Scott

Smith  
Sparkman  
Spong  
Symington

Tower  
Tydings  
Williams, N.J.  
Williams, Del.

Yarborough  
Young, N. Dak.  
Young, Ohio

#### PRESENT AND GIVING A LIVE PAIR, AS PREVIOUSLY RECORDED—1

Mansfield, for.

#### NOT VOTING—27

Aiken  
Allott  
Bible  
Carlson  
Church  
Cooper  
Dodd  
Eastland  
Ervin

Fannin  
Fong  
Harris  
Hollings  
Inouye  
Kennedy, Mass.  
Kennedy, N.Y.  
Kuchel  
Long, Mo.

Long, La.  
McCarthy  
McGee  
McGovern  
Montoya  
Morse  
Morton  
Murphy  
Smathers

So Mr. RUSSELL's amendment was rejected.

Mr. SPARKMAN. Mr. President, I move that the vote by which the Russell amendment was rejected be reconsidered.

Mr. TOWER. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOMINICK. Mr. President, I send to the desk an amendment and ask that it be read.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read the amendment, as follows:

On page 89, line 24, strike out "\$500,000,000" and insert in lieu thereof "\$250,000,000".

#### UNANIMOUS-CONSENT AGREEMENT

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. DOMINICK. I yield.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that on the pending amendment there be a time limitation of 30 minutes, the time to be equally divided between the Senator from Colorado [Mr. DOMINICK] and the Senator from Alabama [Mr. SPARKMAN].

Mr. DOMINICK. Mr. President, do I correctly understand that we can get additional time on the bill if we need it?

Mr. TOWER. I assure the Senator that I will yield time on the bill, if necessary.

The PRESIDING OFFICER (Mr. CANNON in the chair). Without objection, it is so ordered.

Mr. LAUSCHE. Mr. President, will the Senator from Colorado allow me to become a cosponsor of the amendment?

Mr. DOMINICK. The Senator from Ohio is a cosponsor.

Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

Mr. DOMINICK. Mr. President, I yield myself 5 minutes.

The PRESIDING OFFICER. The Senate will be in order. Attachés will retire to the rear of the Senate Chamber.

Mr. DOMINICK. Mr. President, yesterday we had a vote on the amendment of the Senator from Texas [Mr. TOWER] to strike all of title IV, which vote was unsuccessful.

This morning I engaged in colloquy with the distinguished Senator from Alabama, pointing out that because we were in the process of guaranteeing bonds and all other types of investments in new communities, which would largely benefit the promoters and the builders of the communities, it seems to me that we were taking on a pretty strong liability,

or at least a contingent liability, on the part of the Government.

If Senators will refer to page 89 of the bill, at the bottom of the page, they will note that we agree to guarantee outstanding obligations to a contingent liability extent of a half billion dollars. My amendment would simply cut that amount in half, and I have been joined in this by the distinguished Senator from Ohio [Mr. LAUSCHE] and the distinguished Senator from California [Mr. MURPHY], who unfortunately is not present at the moment.

It seems to me that history should show us that this is not a remote contingent liability. It is a fairly imminent one. All we need do is look at the article I hold, published in House and Home, in June of 1966, which reports on what has happened to the so-called new towns that we have been trying to build under private financing. Let me cite some examples, because I believe Senators will be interested. This, I repeat, is in June of 1966, and does not necessarily reflect what is going on now, but it does give some indication.

Reston, Va., which was begun in 1962, had a projected population of 75,000, but the house sales to date—that is, as of June 1966—were 210 houses.

El Dorado Hills, Calif., begun in 1961 by El Dorado Hills West, Inc., had a projected population of 75,000. The house sales up to that point had been 380.

Clear Lake City, Tex., begun in 1962 by Humble Oil & Refining Co., had a projected population of 180,000; but the house sales up to that point had been only 625.

Columbia, Md., begun in 1963 by Community Research & Development, Inc., had a projected population of 110,000; and the article states that ground would be broken in 2 months. In other words, they had not even started.

What I am saying is that we are injecting ourselves into a new type of guarantee financing, into a community situation which is speculative at best, which could be a very sharp liability. The Government, and the Secretary in particular, would suddenly find itself in the land business, in the development business, and I do not believe we want that.

Inasmuch as we are not going to strike the title, it seems to me that we should limit the liability to \$250 million, which, under the maximum of \$50 million for development, would make a plot program of it, which would permit the guarantee of five of these projects. We could at least see how they work to that extent before we commit ourselves any further.

I reserve the remainder of my time.

Mr. President, I ask unanimous consent that the article to which I referred be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

NEW TOWNS: ARE THEY JUST OVERSIZED SUBDIVISIONS—WITH OVERSIZED PROBLEMS?

(By Frank Lalli)

On the whole, yes.

Regardless of the press, which has tended to hail new-town development as a religion rather than a business, few of today's giant



subdivisions meet the planning standard inherent in the new-town concept: a self-sustaining community that offers both employment and the best in urban and suburban living to people of all economic levels.

And all of the current new towns have met serious problems at almost every step from financing to sales.

Size is at the root of these problems. The commonly accepted dividing line between just a big development and a new town is the 6,000-acre mark. There are many projects of up to 3,000 or 4,000 acres that are doing well; so far, virtually none of the 50-odd projects of more than 6,000 acres can, by any stretch of the imagination, be called successful.

The logical conclusion: once a development grows beyond the 6,000-acre mark, its problems become too big—and too expensive—to be handled.

What are these problems? Can new towns make economic sense today—or ever?

To find the answers to these questions, House & Home made an in-depth study of four new towns. They are:

Reston, Va., begun in 1962 by Simon Enterprises. Projected population: 75,000. House sales to date: 210.

El Dorado Hills, Calif., begun in 1961 by El Dorado Hills West Inc. Projected population: 75,000. House sales to date: 380.

Clear Lake City, Tex., begun in 1962 by Humble Oil & Refining Co. Projected population: 180,000. House sales to date: 625.

Columbia, Md., begun in 1963 by Community Research and Development Inc. Projected population: 110,000. Ground will be broken in two months.

#### NEW TOWNS ARE TRAPPED IN A THREE-SIDED DILEMMA: LOCATION VERSUS FINANCE VERSUS SALES

Each side represents a tough problem in itself. And since all three are interlocked, new-town developers can't solve one unless they solve all three. Conversely, if any one of the problems remains unsolved for very long, the other two get worse—in geometric proportion.

There are other problems too, such as attracting industry and working with local government, which contribute to the basic dilemma and also add headaches of their own.

All these problems are listed below, together with examples of how they have hobbled the four case-study new towns.

#### *Problem No. 1: location—Big enough parcels at low enough prices are way out of town*

Almost every new-town developer has had to go well beyond established areas of development to find the right combination of land and price. This makes it tough to lure buyers, and it also creates physical problems in land development. Few far-out areas have either the roads or the utilities required by a new town, even in its early stages.

Robert E. Simon Jr. had to go 18 miles west of Washington, D.C., to find a 7,180-acre parcel for Reston. And even there the land cost \$13 million, or \$1,900 an acre. (As a rule of thumb, new town developers do not like to spend more than \$1,500 an acre.)

Allan H. Lindsey spent \$9 million (back in 1959) for 9,000 acres that are a full 25 miles from Sacramento. And Humble Oil & Refining Co. built Clear Lake City on 15,000 flat acres 25 miles from Houston. Humble had owned the land for 28 years (original cost: \$300 an acre), and had intended to develop it for industry because Houston buyers considered the area the wrong side of town. But Humble switched to houses after NASA's Manned Spacecraft Center moved in next door.

These early new town developers tended to overlook the remoteness of their sites, believing that their open-space planning and other amenities would bring buyers out from the suburbs. But they have learned that remoteness robs them of far more sales than their

amenities can attract. At Clear Lake City, for example, a huge advertising campaign that featured a \$1 million recreation center pulled 50,000 visitors during its opening. But only 36 people bought homes the first month.

*Location also runs up development costs.* It's obvious that 7,000-acre-plus parcels of open land can be found only in rural areas, and these areas will have totally inadequate roads and utilities.

At Reston, more than \$14 million will be spent for roads, sewers, and water. And El Dorado Hills spent \$1 million just for a five-mile, four-lane access road. Eventually, the road would have been built by local government, but El Dorado's sales couldn't wait.

James W. Rouse, whose Columbia is close to the ground-breaking stage, has been the most scientific of the new-town developers in picking his location. He decided that 1) he needed at least 10,000 acres to make the project worthwhile, and 2) the cost should be no more than \$1,500 an acre. He studied many metropolitan areas, and while he couldn't find a big enough, cheap enough parcel close to a city, he may have found the next best thing—a site directly between Baltimore and Washington, D.C. And by purchasing his land quickly and quietly, he held to the \$1,500-an-acre limit.

But Columbia still needs utilities, and it is 15 and 23 miles respectively from the centers of Baltimore and Washington. It remains to be seen whether this is close enough.

#### *Problem No. 2: financing—New towns go millions in the hole before the first house is built*

Rouse has already borrowed \$50 million for Columbia, though ground has yet to be broken. Simon had his \$40-million real estate empire tied up in Reston before he got his first loan. ("I was hocked to the hilt," he says.) Lindsey recently closed a lease-back deal with John Hancock Life Insurance Co. for \$14 million.

It is obvious that this kind of heavy financing is available from only a handful of rich sources. It is equally obvious that if those sources can be persuaded to back a new town, it will be on their terms.

Reston is a case in point. Between 1962 and 1964 Simon made unsuccessful attempts to borrow money from 80 different sources, including banks, insurance companies, and big corporations. Finally, just five days before Simon would have had to abandon Reston, Gulf Oil made a \$15 million commitment. The price: first mortgages on all of Simon's land, an option to buy stock in Reston, and the only gas station in town.

After Simon finished refinancing only \$3.5 million was left, so last fall he borrowed \$21 million from John Hancock. The price: title to all undeveloped land in Reston. Simon must buy it back in annual chunks—at appreciated prices.

Even now, Simon does not rule out the possibility of another major loan.

Some backers have second thoughts that leave the new-town developer in a damaging situation. Simon's financial woes began when a potential investor promised him \$6 million. Simon started Reston with his own money, but when he went back for the loan, the investor handed him instead a list of 20 reasons why he had changed his mind. ("My favorite," says Simon, "was: 'What if the national capitol was moved to Denver?'" )

The same sort of thing happened with El Dorado Hills' first backers. Hale Brothers Associates, owners of Broadway Stores, decided not to wait for long-range profits after El Dorado's first two disappointing years. In a complicated deal, Hale Brothers left Lindsey with the El Dorado Hills land but took 80% of other land Lindsey and Hale Brothers owned jointly in a separate corporation.

Even the \$3.2-billion Humble Oil & Refining Co. has shown an increasing reluctance to tie up more money in its own Clear Lake City. Instead, Humble has borrowed money

from Chase Manhattan Bank (and possibly others) and transferred it to its development company.

*More and more investors are realizing they can take the risk out of financing a new town if they can get control of the appreciating land.* And the land does appreciate at unbelievable rates. El Dorado Hills land has climbed from \$6.7 million to \$29 million in six years.

Investors have also learned that they don't have to own the land to control it. At Columbia, for example, Connecticut General Life Insurance Co., together with Teachers Insurance Annuity Assn. of America and Chase Manhattan Bank, loaned \$50 million to Rouse. In return, Connecticut General will get 50% of the land profit and (if it wishes) a strong say in major decisions. The other two investors hold long-term mortgage notes.

#### *Problem No. 3: sales—The cost of financing far outweighs the realities of the marketplace*

Every new-town developer finds himself in this double bind. His cash flow situation demands a big and increasing volume of sales right from the beginning. But his far-out location, which often isolates buyers from shops and schools, makes sales difficult in the early months.

Commercial facilities will eventually be built—indeed, it is from this source that new-town developers hope to make much of their profit. But commercial interests are reluctant to move in until there are residents.

The developer's only way is to push early sales—at a loss, if necessary—and subsidize early commercial facilities.

In the three case-study new towns where houses have been built, the sales volume fell far short of cash-flow requirements.

At El Dorado Hills, the developers projected 400 house sales their first year, but sold only 120, though they cut their profits drastically. Total sales in more than three years: 380.

At Reston, Developer Simon has 90 of his first 227 townhouses still unsold. And though he hopes to sell 350 redesigned units this year, he had sold only 25 by the first of May. Now three outside builders have 24 acres under option for townhouses that will be \$3,000 less expensive than Simon's.

At Clear Lake City, early market studies promised sales of 1,200 houses a year. But since 1963, a total of only 625 houses have been sold.

Although no houses have yet been built at Columbia, the sales projections required to meet cash-flow demands are high enough to worry even the most optimistic builder. Rouse hopes to capture fully 15% of the Baltimore-Washington, D.C. corridor market. That means he must start by selling 500 houses in 1967, and add 500 more sales every year until they level off at 2,500 in 1972.

Rouse is confident he can meet this schedule. But other new-town developers now scoff at market projections.

"It is a lot of guesswork," says Simon. "Who can tell what the market will be like five or ten years from now?"

Investors, too, have grown weary of unfulfilled projections. Though they still ask for them, they put far more weight on the value of the land and its probable appreciation rate.

#### *Problem No. 4: industry—It's needed most in the early stages, and that's when it's toughest to get*

Industry is the cornerstone of the new-town concept: It represents both land profits and a potential source of buyers and renters. The trouble is that industry, like commercial interests, wants to locate where people already are living. So again, in order to persuade industry to move into a new town which is just getting started, concessions must be made—usually at the expense of



profits. And if one developer does not make concessions, there is a good chance his competitors will.

That is exactly what happened at Clear Lake City. General Electric had agreed to occupy a new building—if the ceilings were raised about a foot to accommodate special equipment.

Clear Lake City executives refused. But the developers of Nassau Bay, an adjacent community, accepted the deal. The resultant revenue got Nassau Bay off to a flying start, and it has become a rugged competitor both for other industry and for homebuyers.

*Logically, the concessions that must be made increase in proportion with the size and prestige of the company being wooed. So big employers are often eyed with mixed emotions by new-town developers.*

William E. Finley, vice president of Columbia, points to three dangers in accepting a large industry in the new town's early stages: 1) the project could take on the look of a company town; 2) extra roads and utilities would have to be built immediately to accommodate it; and 3) a big company could drive a very hard bargain for a large site. "The developer," says Finley, "could lose money on the deal, even in the long run."

*Furthermore, a new town must be selective about the types of industry it accepts, especially in the town's early stages. Some new towns have such stiff density requirements (number of employees per sq. ft. of building), they tend to ban anything but high-paying "think factories."*

At Reston, a few of Simon's aides frown on assembly plants because few workers could afford to buy houses in Reston's price range. Simon himself is more concerned with the town's appearance.

"The building that houses the industry must be good looking," says Simon. "And we are also wary of factories that would bring heavy truck traffic into town."

Many new-town developers have chosen to rely on the expansion of nearby industry to provide homebuyers for the first few years. But this method carries no guarantees either.

Clear Lake City is a case in point. Its developers thought they could rely on the nearby Manned Spacecraft Center, which employed 3,000 people when it opened. It was expected to expand enormously. But here's what happened:

1. The Spacecraft Center was delayed a year. Employees began working in temporary quarters in Houston, and settled either in that city or on the side farthest from Clear Lake City.

2. After the Spacecraft Center moved to its present site, a confidential communique was circulated, according to reliable sources, that warned employees not to buy homes because they might be transferred again soon.

3. The first astronauts bought homes in neighboring Nassau Bay (the same competitor that won the General Electric plant). Nassau Bay thus took on the image of a prestige community, and higher-paid executives tended to buy there.

4. The Spacecraft Center is now slowing down its expansion plans. Those employees who are finally buying in the Clear Lake area may be too few and too late.

El Dorado Hills had an equally unhappy experience with a big nearby company. Aerojet General Corp. employed 20,000 people in the early 1960's, and was scheduled to expand to 30,000 by 1963 after El Dorado Hills opened. Instead, Aerojet lost key government contracts and 10,000 employees were let go.

*Problem No. 5: government—The size and complexity of new towns leads to many local complications*

Most new towns are built in rural counties whose officials are used to handling the decisions and red tape that goes with perhaps 200 houses a year. Into these hamlets come the new-town developers to force feed the area's growth with thousands of houses.

So it isn't surprising that all new-town developers have run into local troubles. Even if the county wants to cooperate, the many requests a new town makes lead inevitably to delays. And delays can be disasters for the new town. Because of whopping overhead, a two-week setback can cost their developers more than \$40,000.

Difficulties arise in every area that is under local jurisdiction. Here are examples of the most common:

**Zoning.** As Rouse began planning Columbia, Howard County, Md., elected a slate of county commissioners pledged to curb urbanization. Shortly after they took office, Rouse disclosed that he had purchased 10% of the county and wanted urban zoning. It took him a year to win over county residents and the officials (H&H Oct. '65).

"Even so, we were lucky," says Rouse, "Five years before we would have gotten a flat 'no'. And five years later the sewers would have been extended and the land would have cost too much for us."

A zoning fight takes time as well as manpower. An early project manager of El Dorado Hills took one of his aides off another job and told him not to show up again until he had won the necessary zoning for the whole project. The aide didn't come back to the office for nearly six months.

**Land Engineering.** Reston won the zoning it needed, but its land improvements still must meet the same stringent requirements as any other subdivision in Virginia's Fairfax County.

For example, Simon has asked permission to build winding roads that would preserve trees and add to the town's rural look. But the county has demanded that swaths as much as 100 ft. wide be cleared for the roads. And Reston has also been asked to supplement natural drainage streams with drainage pipes.

Says one employee: "We don't have time to fight every decision. We would have to stop and argue about each tree and each stream in town."

Reston developers claim they could save \$500 a lot if the so-called "extra requirements" were waived. But there is little chance the county will yield.

**Schools.** Normally, local governments try to put schools in growing areas. But the best of intentions can go astray.

At Reston, construction bids for a new school were much too high and were rejected. Simon needs a school to sell houses, so he now has no choice but to bid on the school himself. And he has to make sure that his bid is low enough to be accepted, so profit must suffer.

**Access roads.** Inevitably, new-town developers jump ahead of road construction to find low-cost land. Then they must decide who will extend the roads to their project—the state or their own crews. Both methods have been tried and both have proved costly.

As noted above, Lindsey spent more than \$1 million to build a divided four-lane road linking El Dorado Hills to a freeway five miles away. The state did put an interchange at El Dorado's front gate, but they also required that the private road meet state highway specifications.

At Clear Lake City, Del E. Webb Corp., an early partner with Humble Oil, decided in 1963 to gamble that the state would build a major access road. Humble is still waiting for the road (Webb pulled out of Clear Lake City in 1964). But chances are it will be built soon, because Humble has finally agreed to join in the construction.

Says a former Webb employee: "If we had built the road, every employee at the Manned Spacecraft Center would have had to drive through Clear Lake City to get to work." And he adds that had the access road been built, the Spacecraft Center's front gate probably would have been turned to face Clear Lake City. (As it is, the Center faces Clear Lake's old nemesis, Nassau Bay.)

Developer Simon suffers the most bizarre lack of access roads. A four-lane highway runs right down the middle of Reston, but no one can get on or off. The road links Dulles International Airport with downtown Washington, and it is used almost exclusively by government officials and foreign dignitaries. Simon has asked the Federal Aviation Agency to provide access for Reston, but no action is expected. Meanwhile, visitors to Reston must drive the last seven miles along a two-lane country road.

*Problem No. 6: who builds?—Developers lack experience, outside builders look out for themselves*

Almost invariably the developer is an entrepreneur whose experience is in land and commercial development rather than in the basics of designing, building and selling houses. As a result, he is seldom a successful builder himself.

The alternative is to bring in experienced outside builders. But this approach has also proven unsuccessful. The developer quickly finds that he has traded lack of experience for lack of control.

*Basically, the developer and the builder have quite different aims. The developer wants lower-cost houses because his profit comes from the long-range volume of lot sales. But the builder wants higher-priced units because his profit comes from the house itself.*

At Reston, a combination of inexperience and a desire for beauty led Simon to give his architects too much freedom; they produced townhouse plans that were difficult and expensive to build.

At Clear Lake City, Humble Oil joined with Builder Del Webb in what at first seemed an ideal partnership of big money and building know-how. Humble took 70% of the profits and handled the financing; Webb took 30% of the profits plus a straight 5% building fee.

But the partnership was a dud. Webb missed the market and sold less than half of the 288 houses he built. And he left a residue of ill-will in Houston that hurt Clear Lake City. Some subcontractors went bankrupt at the project, so others refused to bid for jobs there later. And confusion about who would establish a bank at Clear Lake City disenchanted parts of the Houston business community.

After Webb departed, in early 1964, Humble put its own staff in charge of the project and sold lots to outside builders. But the Humble men lacked experience, and the outside builders, among other things, replatted their lots and squeezed eight houses onto land that was meant to accommodate six.

At El Dorado Hills, both building approaches were tried. Developer Lindsey began by hiring a construction supervisor and paying him a straight \$500 for each house built. But when sales moved slowly, Lindsey decided to option 5,000 lots to an outside builder, William Lyons, in order to save the \$500 fee.

It was a mistake. Lyons, a highly successful builder in Southern California, missed the tight Sacramento market by about \$500, despite Lindsey's warnings to keep prices low. The result: a liquidation sale of 34 of the 40 Lyons homes that hurt El Dorado Hill's image.

Lindsey has now gone back to building the houses himself. But he is still having trouble finding the right man to head the building program.

*Problem No. 7: residents—If buyers aren't kept happy, they can tie up the entire project*

When a buyer purchases a home in a new town he immediately becomes a resident with definite legal rights and powers. If enough residents don't like the way the new town is progressing—or not progressing—they can do something about it.



In some new towns the resident members of sewer boards can vote not to continue development. In others, community associations control assessments to maintain parks and other common property.

"For all practical purposes," says a Columbia executive, "an association could keep us from building a whole village."

Such resident revolts are most likely after the town has grown for about five years. And that's when the developer may be starting to make his first clear profit.

*Some new town developers have tried to guard against revolts by keeping as much control as possible over resident organizations.*

At Clear Lake City, the first sewer board was appointed after the first ten families had been persuaded to buy houses at reduced cost. Two of the board members were actively building in Clear Lake City at the time.

At El Dorado Hills, Developer Lindsey's executive vice president, Carl J. Kowall, is the board chairman of the water district. Kowall points out, however, that he was elected by his fellow residents.

*Other new town developers have put emphasis on cooperating with residents right from the beginning.* At Reston, each buyer automatically becomes a member both of a neighborhood and a townwide group, and developer Simon is a frequent visitor at their meetings. Says Simon: "We want to show the residents that their welfare is at the heart of our project."

And says Developer Rouse: "If we can't do a good job for our residents at Columbia, we deserve to have the project taken out of our hands." Columbia residents will get that power in about 10 years through a community association that Rouse himself organized.

But just as unhappy residents can hurt a new town, happy ones can help. Developer Lindsey was pleasantly surprised to learn that the John Hancock Co. loaned him \$14 million partly because a private survey showed that 98% of his 2,000 residents like El Dorado Hills.

IN THE FACE OF ALL THESE PROBLEMS, WILL NEW TOWNS EVER MAKE ECONOMIC SENSE?

It's too early to say for sure. No new town has progressed far enough to give an accurate indication of its long-range profit potential.

But there are plenty of opinions. California Builder Edward Eichler, who made a study of new towns on a Ford Foundation grant, thinks most developers will be lucky if they make a 6% profit. Charles Haar, HUD's assistant secretary for metropolitan planning, points out that British new towns were greeted with similar skepticism, but are doing well today. (Those towns, however, are controlled—and subsidized—by the British government.)

U.S. new towns have certainly had their early troubles. But it must be remembered that they represent first attempts by their developers. Says Simon: "No one knows very much about this business. It is all trial and error."

But though the basic problems will not go away, new solutions may be coming up. Specifically:

*General Electric, and possibly other giant corporations, are about to get into the act.* G.E. has been sizing up new towns for about two years and is beginning to put together a management team. Reportedly, G.E. has \$500 million to spend in new towns.

The question is not when will big corporations move into the market, but how. If they become operating developers who consolidate small builders into their organization, it could mark the beginning of giant homebuilder companies. (It could also mark the beginning of a decline in new-town esthetics. The best new towns owe their quality to the dedication of men who are, at least to some degree, building monuments to themselves.)

It is more likely, however, that corporations will make loans in return for supplier contracts. That would give new-town developers a new source of funds even after their land has been traded off. A small-scale example: Gulf Oil will build and fuel a central heating and cooling utility at Reston.

*Federal aid for new towns may be on the way in the form of FHA insurance for large private (and public) land developments.* Such a bill is before Congress now, championed by HUD as an alternative to urban sprawl. But it carries a ceiling of \$25 million—too little to make a real difference to a big new town.

Furthermore, the bill probably won't pass until its proponents can explain clearly just who would benefit by it.

HUD's Charles Haar says the bill offers the only way small builders can participate in new towns on a large scale. (But small builders are already doing much of the building in new towns.)

Developer Rouse says that sufficient federal aid will multiply new towns, and adds that new towns will be the vehicle giant companies use to take over the homebuilding industry. (Rouse plans to start another new town in about 5 years if Columbia does well.)

Developer Simon says honestly that federal aid would increase his profits.

Opponents of the federal aid bill argue that all the government would be doing is subsidizing millionaire developers with money that is desperately needed in existing cities. And Edward Eichler says there is nothing special about the new-town concept that warrants federal aid.

*While the arguments run on, new towns seem to be getting a form of federal aid right now.* Each of the four case-study towns either has a major government installation or stands a good chance of getting one soon. Clear Lake City has the Manned Spacecraft Center; Reston is about to get a 2,000-man government agency; Columbia has been considered as a site for the Government Printing Office; and El Dorado Hills is adjacent to a possible site for a new atom smasher.

Are these only coincidences, or do they reflect a semi-official government policy? Reportedly, President Kennedy encouraged his Cabinet to locate expanded government agencies in new towns whenever possible. But under President Johnson, the emphasis has shifted to existing cities (e.g., the Demonstration Cities Program). According to some sources, that shift explains why Kennedy-appointed Stewart Udall, Secretary of the Interior, has promoted towns like Reston in public while keeping his direct help behind the scenes.

Is it inside information or sheer naivete that prompts key members of Reston's staff to insist, "The Federal Government won't let us fall"?

RESTON: A FINE CONCEPT AND A HANDSOME START—BOTH HAMSTRUNG BY MANAGEMENT PROBLEMS

More than any other giant development, Reston, represents the new-town ideal. It's hard to fault the plan, which includes permanent greenbelts winding through seven distinctive villages, and enough industry to employ 50% of the town's work force. And the first village center is a striking example of urban architecture.

The concept is good because it is the work of a cultured and dedicated man—Robert E. Simon, a former owner of Carnegie Hall. Simon has deep personal involvement in Reston (the town's name is taken from his initials). Ironically, it is his determination to build a dream town that has led to his troubles.

Simon decided to build primarily townhouses so that Reston would have a maximum amount of open space. Financing costs were pressing him, and he was forced to throw together a management team to get things rolling. Result: the first townhouses

came in \$7,000 too high—and 13 months late. Here's what went wrong:

*Simon gave his architects too much freedom, and they ignored the realities of house building.* Says one employee: "It took a genius to frame those first 227 townhouses." Because there were 37 different floor plans—plus special features in each house—construction workers continually ran into unfamiliar problems. The inevitable result was long delays. And since Simon did not have late penalties in his subcontractor's agreements, there was little he could do to speed things up.

*The architects used non-standard building materials.* One used concrete beams, another used special millwork. The result: extra expense and complications. Special brick, made only by one company, was specified for the village center. When the center was half finished, the company went bankrupt, and Simon had to put it back in business with a personal loan.

*Simon himself didn't understand how to build and sell houses.* He built his townhouses as if they were heavy construction, having the subcontractors pour all the foundations at once, then continuing to build all the houses together, step by step. And he did not have a model area, so buyers had to take long hikes through the village to see each of the 37 floor plans.

Simon believes he has now solved his problems by hiring a so-called "new wave" of aides. He notes that though his townhouses are still being designed by architects, plans are simplified for easier construction. And thanks to his new construction manager (whom he hired away from Builder Ross Cortese), the newest townhouses were built in five months. There are just five different floor plans, and they are placed all together in one model area.

But sales are still lagging. In March only 17 of a projected 30 townhouses were sold (this was still the best month in Reston's history). And after 2½ years Simon is still waiting for FHA approval so he can broaden his market by lowering downpayments.

EL DORADO HILLS: BEAUTIFUL LAND AND A GOOD PLAN ARE HURT BY A SICKLY MARKET

Back in 1959, Developer Allan H. Lindsey was so taken by the rolling and wooded land shown above that he bought 9,000 acres—without really knowing what he would do with it.

It wasn't until two years later that Lindsey decided to put a new town on his land. The timing seemed right: Sacramento was booming, and El Dorado Hills lay right in the path of its logical expansion pattern. Furthermore, Congress had just given Lindsey first rights to pump water from federally controlled Lake Folsom next door. Son Lindsey hired Victor Gruen, who drew a superb plan featuring greenbelts and small neighborhoods (H&H, March '63).

But by the time El Dorado Hills opened in 1962 the Sacramento market was already weak. About a year later Aerojet General Corp. laid off 10,000 workers and the market collapsed completely. Lindsey was particularly hard hit. Aerojet was right next door to El Dorado Hills; now buyers had to be drawn almost entirely from Sacramento, 25 miles away. And Sacramento residents seem to have an inbuilt dislike for long commutes.

Faced with this market, Lindsey chose—and still follows—a conservative course. He didn't try to draw buyers with a stunning commercial complex like Reston's or a giant recreation center like Clear Lake City's. Instead, he has concentrated on offering the best houses for the money in Sacramento (at the expense of much of his profit). And he has held to his master plan.

Lindsey has reason for hope. His recent \$14 million loan will allow him to open new models this summer in a wider range of prices, so he can get a bigger chunk of what market there is.



**CLEAR LAKE CITY: AN UNHAPPY MIXTURE OF INSTANT SPRAWL AND BUILDER PROBLEMS**

Good planning—marked by permanent open space and careful zoning—is the *raison d'être* of giant subdivisions. When the planning is done well, as it is in Reston, a new town can provide a real answer to the problem of urban sprawl. But if planning is all but ignored, the project will be little more than a huge tract. And so far, that seems to be what happened to Clear Lake City.

Part of the problem is that Clear Lake's developer, Humble Oil & Refining Co., is inexperienced in homebuilding. Says one member of the development team: "Master plans are a waste of money." The result of this attitude is a sketchy overall layout that sets aside only 4% of the project's 15,000 acres for parks. And although the land is flat and almost completely bald, the developer has planted no trees at all.

But Humble doesn't deserve all the blame. Del E. Webb Corp., an early partner, got Clear Lake City off to a poor start.

Webb made what appeared to be a series of marketing mistakes, and wound up selling only 120 of the 288 homes he built. He put up California-style homes, and found to his surprise that Spacecraft Center employees from California wanted Houston-style homes, just like their new neighbors'. Webb's \$18,000-to-\$24,000 homes were a little high for the market. And while he put in quality, he put it where buyers couldn't see it.

Webb gave Clear Lake City a tract look by not bringing in outside builders, whose houses would have added variety.

Webb failed to heed buyer-preference studies. Result: he built a nine-hole golf course few people wanted, and a single huge recreation center for buyers who wanted several small centers.

Webb faced complaints of poor workmanship. Some buyers, for example, had to have their lawns seeded five times because landscapers turned up only in bad weather.

Webb is no longer associated with Clear Lake City, but the poor planning remains. Humble has brought in ten outside builders, but they are averaging only 30 houses a month—little better than Webb's pace.

**COLUMBIA: PLANNED TO THE NTH DEGREE, IT HAS YET TO FACE ITS FIRST REAL TEST**

It's hard to see how James Rouse could have been more scientific in planning Columbia. From the beginning, he hasn't wavered from a classic textbook approach:

Rouse first decided how much land he needed to build a real city. Then he spent months searching from Massachusetts to Virginia for a logical location, deciding finally on a site the size of Manhattan (14,000 acres) between growing Baltimore and booming Washington, D.C.

Before going any further, Rouse turned to financing. He purchased 1,000 acres of his proposed site—just enough to convince three investors (p. 94) that the entire parcel could be assembled for \$1,500 an acre. Satisfied, the investors loaned Rouse \$50 million, more than enough to get the project under way.

Rouse's next step was most unusual. For more than a year he consulted with 60 of the country's outstanding social planners, and in 1964 he brought some of them together for a total of 200-hours of brainstorming (H&H, Dec. '64). Result: a sociological pattern that is the basis of Columbia's master plan.

Rouse's zoning was approved in 1965 (it took a year), and he has now brought together a team of 20 architects and designers to plan what he calls "the mosaic of the city." Every detail is being considered, from brand-new traffic signs and street furniture to the precise siting of each house on its lot in the first village.

But it is difficult to say how much of all this careful planning will pay off.

Already there have been complications: Bids for a dam came in high, and for a while

it seemed that some decorative fountains would have to go. There have been delays: Plans for the first village came back from Howard County, Md., officials with 50 minor objections which took six weeks to resolve. An executive who had exuded confidence earlier now admits that the project is three months behind schedule.

Finally, some important questions have not been answered. Who will the first builders be? And how can Columbia executives enforce the policy of open occupancy that Rouse has demanded for his new town?

Mr. COTTON. Mr. President, I commend the Senator from Colorado, and I ask him to add my name as a cosponsor of the amendment.

Mr. DOMINICK. Mr. President, I ask unanimous consent that the name of the distinguished Senator from New Hampshire [Mr. COTTON] be added as a cosponsor of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. TOWER. Mr. President, will the Senator yield?

Mr. DOMINICK. I yield.

Mr. TOWER. Mr. President, this is an eminently reasonable suggestion that the Senator makes in his amendment. Of course, I moved to strike the whole title.

In any case, if by some stretch of the imagination this program could be proved highly successful, I believe half of this obligational authority, \$250 million, still would give adequate leadtime for us to have some experience with the project and to add more obligational backup on it later, if we wish. It certainly does not hamstring the program to cut the amount in half.

I believe it is a reasonable amendment, and I believe the Senator from Alabama is in a mood to accept it.

Mr. THURMOND. Mr. President, will the Senator yield?

Mr. DOMINICK. I yield.

Mr. THURMOND. I wish to commend the able Senator from Colorado for offering this amendment, and I should like to join him as a cosponsor.

Mr. DOMINICK. I thank the Senator.

Mr. President, I ask unanimous consent that the name of the Senator from South Carolina [Mr. THURMOND] be added as a cosponsor of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SPARKMAN. Mr. President, I believe there is much merit in what the Senator from Colorado has said. After all, this is still a new program, and this new guaranty authorization is really just an alternative method of financing in order to help the program get started. I believe that cutting the figure in half would leave a reasonable amount with which to get the program started; and if the program proves to be successful, we can provide additional money.

I am willing to accept the amendment.

Will the Senator ask unanimous consent to rescind the order for the yeas and nays?

Mr. DOMINICK. Mr. President, I ask unanimous consent that the order for the yeas and nays be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HOLLAND. Mr. President, I ask unanimous consent that I may be added

as a cosponsor of the amendment because I believe it is a good one, indeed.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOMINICK. Mr. President, I ask unanimous consent that the name of the Senator from Nevada [Mr. CANNON] be added as a cosponsor of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

All time on the amendment has expired.

The question is on agreeing to the amendment offered by the Senator from Colorado.

The amendment was agreed to.

Mr. TOWER. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. ALLOTT. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. FULBRIGHT. Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The bill clerk read the amendment, as follows:

On page 261, after line 18, insert the following:

"(10) The sale or lease of real estate which is free and clear of all liens, encumbrances and adverse claims if each and every purchaser or his or her spouse has personally inspected the lot which he purchases and if the developer executes a written affirmation to that effect to be made a matter of record in accordance with rules and regulations of the Secretary."

Mr. FULBRIGHT. Mr. President, I have discussed this amendment with the Senator from New Jersey, the Senator from Texas, and the Senator from Alabama. It relates to the interstate sale of lands in title XIII. It simply exempts those sales in which a company sells land only after onsite inspection and makes a statement with regard to the title.

Mr. President, I think this is a legitimate and proper exemption because with respect to these companies in my State that are developing land in recreation areas and around lakes—many of them are large but most of them are small—it would be a great burden for them to have to file with HUD. Many of them have been operating a long time and there has never been a case of fraud and never a rescission. If there had been I think I would have heard of it. There has never been a deception in the sales in Arkansas. The conditions that give rise to this language have been concentrated in three or four States and I see no necessity for everybody coming to Washington and filing elaborate statements when there is no justification for it.

Title XIII of the omnibus housing bill sets up a system to require "full disclosure" in the sale of land in interstate commerce or through the mails.

The proposal is acknowledged to be a vast improvement over the original bill, S. 275, which would have applied the Securities Act of 1933 almost literally to interstate land sales.



However, the bill is still an adaptation of the Securities Act to these sales, even though it would be administered by the Department of Housing and Urban Development and even though there is recognition of the differences between sales and land and sales of securities.

Thus, a developer would be required to file with HUD, in great detail, a statement of record. The information required for such a statement is described on pages 113 and 114 of the committee report.

Developers are prohibited from selling land in interstate commerce and through the mails until the statement of record is effective and procedures are set forth for amendments, stop orders, investigations by the Secretary, and so forth.

The title requires that a property report containing any information in the statement of record that the Secretary deems necessary must be given to the purchaser. The title provides that a purchaser may void a contract if he were not given a copy of the property report before or at the time of his signing and that where a purchaser receives the property report within 48 hours of his signing the contract, he may revoke it within 48 hours. However, this latter provision does not apply in the case of a purchaser who first, has read the report and inspected the lot in advance of signing; and second, acknowledges such by his signature.

Civil and criminal liabilities are provided comparable to those of the Securities Act.

The title will apply in any case where a developer has 50 or more undeveloped lots for sale and makes use of the facilities of interstate commerce and the mails. It would be difficult to imagine any developer being able to conduct sales without coming under the act, through the use of the mails or under the current interpretation of interstate commerce. It is true that the Secretary, under the bill, has authority to exempt subdivisions or lots within a subdivision from any of the provisions of the act, if he finds that coverage is not necessary to the public interest and for the protection of purchasers due to the small amount involved or the limited character of the offering.

The committee in its report, states:

It expects the Secretary to utilize the discretion given him to exempt sales of lots in subdivisions which would technically be covered but which are intrastate or almost entirely intrastate and mainly coincidental. Such a situation could arise, for example, where a few out-of-State purchasers buy lots in a subdivision which is only being offered for sale within the State of the land's location or in nearby communities. (Page 111, committee report.)

I suggest that this is the most general sort of directive to the Secretary and it is by no means clear how he will use this authority, or in fact, whether under the bill he can use it to exempt completely any developer offering for sale 50 or more lots. At any rate a developer will have to hire a lawyer to determine whether or not he is under the act, or to obtain an exemption. Does a developer have to refrain from offering to an out-of-State purchaser? What if a developer

in west Memphis advertises in Memphis? Or even merely sells to Tennessee residents?

It is my opinion that there are probably hundreds of developers in the State of Arkansas alone who would be covered by this legislation and who do not have the slightest notion that it is about to be foisted upon them by a Federal Government concerned with protecting a relatively few purchasers from a very few unscrupulous promoters. Unscrupulous promoters can be prosecuted, and many already have, under the mail fraud statutes and their false and deceptive practices can be enjoined under the Federal Trade Commission Act.

The burdens of this legislation fall equally on the good as well as the bad operators and this is what inevitably happens when Government seeks to single out an industry and subject it to a kind of prophylactic method of regulation, instead of defining and punishing certain illegal acts.

The Securities Act was passed soon after the 1929 crash and in the beginning of the great depression, when the whole industry was shot through with corruption and widespread speculation had disastrous effect upon the economy. Admittedly there have been some sharp practices and fraud in the interstate sale of land, most of which are now or can be covered by the mail fraud statutes and FTC regulation. There is certainly no crisis which would justify putting real estate in the same straitjacket as the securities industry.

In the State of Arkansas, particularly in the mountainous areas, there is a rapidly growing market for vacation and retirement homes. Around Greer's Ferry Lake, Norfolk and Bull Shoals Lakes, Beaver Lake, and other lakes near the Missouri border, along the Arkansas River Valley area and in the Ouichita Mountain areas, I am sure, there are hundreds of landowners now offering as many as 50 or more lots. Furthermore, I expect that near almost every city there are farmers or other landowners in suburban areas and even on the edges of small towns who are offering 50 or more lots for sale in interstate commerce or by use of the mails, as those terms are currently defined. All of these are subject to the bill, unless they can be exempted under the Secretary's limited discretion, or unless they can devise some means of avoiding completely the use of the mails or the facilities of interstate commerce.

I question the premise that these people should be subject to the expense and burden of the filing and other requirements, merely because a few unscrupulous promoters have cheated customers.

The cure for these relatively few sharp practices may be worse than the disease. At a minimum it seems to me that there should be an exemption from the act for those developers who, whether or not they use the mails or the facilities of interstate commerce, make it a practice to sell only "onsite." This is the traditional method of selling real estate and it is hard to see how a purchaser would not have an opportunity to know what he is buying if he has inspected the lot himself. It is true, of course, that he would not know all the details of title, encum-

brances, and so forth, merely by inspection, but civil and criminal provisions of State laws dealing with real estate transactions have been considered adequate. They apparently are still considered adequate for practically every form of sales except those of undeveloped land. There is no such proposal, for example, to deal with sales of new or used cars or, in fact, homes. Yet I daresay the opportunities for misrepresentation, fraud, and unscrupulous promotion are more prevalent in these areas than in interstate land sales. And their impact on the economy is greater.

The act contains a number of exemptions in section 1303(a), pages 1 through 9, on pages 260 and 261 of the bill.

My amendment proposes a further exemption as follows:

On page 261, after line 18, insert the following:

"(10) The sale or lease of real estate which is free and clear of all liens, encumbrances and adverse claims if each and every purchaser or his or her spouse has personally inspected the lot which he purchases and if the developer executes a written affirmation to that effect to be made a matter of record in accordance with rules and regulations of the Secretary."

This exemption will not, in itself, properly define those persons who operate truly interstate, but it is at least simple and easily understood. And it can provide a method by which one who is not truly an interstate promoter can avoid needless and burdensome requirements.

Those few interstate developers who would sell "onsite" would also be exempt, it is true, but the purchasers would have inspected the property and its surroundings and would still have the additional protection of the laws against fraud and deceptive practices.

#### INTERSTATE LAND SALES FULL DISCLOSURE ACT

Mr. WILLIAMS of New Jersey. Mr. President, over the past decade, the interstate sale of undeveloped land has grown to where its annual volume is estimated by some authorities at over \$1 billion. A great number of these sales are made via long-distance telephone conversations or by personal solicitations. In many instances, the purchaser never sees the land he is buying and relies only on the salesman's oral representations. The purchase price may consist of only a small downpayment with monthly installments being as low as \$10 a month. In this manner, many of our citizens, especially the elderly, have pledged millions of dollars for the purchase of land for retirement, investment or in some instances for sheer speculation.

The need for consumer protection legislation in this area was shown beyond a reasonable doubt at hearings held beginning in 1964 by the Aging Committee and at additional hearings held before the Banking and Currency Committee during the 89th Congress and during the first session of the 90th Congress. These hearings made it clear that there are, in many instances, serious problems of consumer deception and a lack of adequate disclosure of all pertinent facts in the interstate sale of undeveloped land.

During past hearings, the committee has learned that only 23 States have



enacted legislation to protect consumers against abuses in the interstate sale of undeveloped land. Although Federal action in this area under the mail fraud statute has been most vigorous, and the work of the Post Office Department should be commended by all, these actions have been punitive rather than remedial in nature. From 1962 through 1966, 481 cases of mail fraud involving the interstate sale of land have been investigated by Federal authorities. As a result of these investigations, it has been estimated that unscrupulous land promoters have caused our citizens to lose approximately \$50 million. These promoters have by the use of high-pressure sales techniques sold land in swamps, flood control areas, deserts, mountains, remote valleys and—in some cases—jungle lava beds outside the continental United States.

President Johnson in his February 16, 1967, American consumer protection message gave a concise description of the need for legislative action. The President said:

Many investors—particularly older Americans—are attracted to advertisements offering inexpensive retirement homesites. The interstate mail orders sales of such land runs into many millions of dollars each year.

Most buyers get what they pay for. But, according to evidence obtained by the Senate Subcommittee on Frauds and Misrepresentations Affecting the Elderly, "slippery language and omission of important facts" have given too many buyers grossly distorted impressions of the land they later purchased.

Some of our senior citizens have become victims of subtle and sharp sales practices. They have wasted much of their life savings on a useless piece of desert or a swampland.

A number of states have enacted legislation to deal with these abuses. But only the Federal government can have effective authority over interstate mail order sales. Only the exercise of such authority can protect the buyer and legitimate seller alike against loss and injury.

I recommend the Interstate Land Sales Full Disclosure Act of 1967 to afford the public greater safeguards against sharp and unscrupulous practices.

Legislative action which will protect consumers by providing them with all of the pertinent facts concerning the land which they are solicited to buy is urgently needed in order to supplement State and Federal action. State officials although willing to act are in many cases powerless either because of inadequate law or because their jurisdiction does not run beyond the State border.

John McIsaac, executive secretary of the Massachusetts Real Estate Board, and a director of the National Association of Real Estate License Law Officials, is a man who works daily with the problems this bill is attempting to solve.

In his testimony before the committee Mr. McIsaac reiterated the impediments to effective State action. He said:

... These wild out-of-state land deals I described to you in the beginning of my speech are so varied and intricate in their perpetration—the circumstances so bizarre that I think you will all agree with me that it is almost compulsory to have some kind of Federal control over the sale of out-of-state land. I have talked to many members of the National Association of Real Estate License Law Officials about this and find that there are many of them who feel the same way.

Federal control is the only answer to this problem. You can't fight what you cannot see. We cannot reach out into other States and countries, we cannot control or stop fraudulent promotion coming into Massachusetts by radio, television, national publications, or direct mail.

Most Federal procedures now in effect are after-the-fact measures which are used only after the harm has been done, the fraud perpetrated, the buyer bilked. We need before-the-fact protection.

The proposed Interstate Land Sales Full Disclosure Act cosponsored by Senators BIBLE, MONDALE, MOSS, and MUSKIE, which has been developed as the result of 2 years of intensive hearings and consultations with all interested parties, will in my opinion provide this most needed consumer protection. The bill—proposed title XIII of the National Housing Act of 1968—merely requires that where a subdivision of 50 or more lots of undeveloped land is sold pursuant to a common promotional plan the seller disclose to the buyer full and accurate information. Surely, no one here today would deny such information to purchasers of real estate, many of whom are senior citizens seeking retirement homesites. In addition, a great majority of these people never visit their property until after they have made a substantial investment.

It is clear that the bare principle of "caveat emptor" should not apply to these transactions. Facts are needed in order to make sound business judgments. This bill will help to provide them. That is its only intention. It is not a regulatory statute which will permit the Federal Government to pass upon such questions as land value, its selling price, land use, or zoning. The only purpose of this legislation is to give the purchaser the necessary information upon which he can make his own investment decision.

The bill would require a statement of record to be filed with the Department of Housing and Urban Development 30 days prior to the date of the public offering. This statement is to contain a clear and precise description of all material facts. In addition, a property report setting forth similar information in an abbreviated form is to be given to each purchaser before the contract of sale is consummated. These required disclosures have been discussed with many representatives of the land sales industry. All agree that while providing adequate consumer protection they will not be unduly burdensome on legitimate businessmen.

The facts contained in the property report would in most instances be limited to the name and address of each person having an interest in the subdivision and the extent of such interest; a legal description of the subdivision and a map showing the dimensions of the interests to be sold; the condition of title including all encumbrances; the terms and conditions of sale including the range of selling prices; the condition of access to the subdivision, and the availability of sewerage and other public utilities, including water, electricity, gas, and telephone facilities; the proximity in miles of the subdivision to nearby municipalities; the nature of any improvements to be installed by the developer and the estimated schedule for their completion; the

terms of any blanket encumbrance and a statement of consequence to the purchaser if there is a failure to fulfill the obligations incurred.

Under this legislation, all purchasers of undeveloped land will receive such information. This is the only way to provide consumers with adequate information upon which sound decisions can be made.

The Interstate Land Sales Full Disclosure Act, while providing full consumer protection, will also bring a solid foundation to our Nation's land sales industry. This bill will do much to encourage public confidence in an industry which has in the past been tarnished by the actions of a few unscrupulous promoters. The majority of our Nation's real estate promoters are, of course, honest.

And I am sure that they will continue to prosper due to the increased confidence in their soundness and integrity which full disclosure will bring.

It is the sound businessmen, as well as the American real estate investor, who has the most to gain. With this legislation, all will be able to deal in the real estate market knowing that pertinent facts are available. This is a major premise of our free enterprise system. Following this premise, our Nation has thrived and prospered over the years. Now is the time to eliminate one of the last remaining areas where full disclosure is necessary, but not yet available.

Mr. SPARKMAN. Mr. President, for my part I accept the amendment. I yield back the remainder of my time.

Mr. FULBRIGHT. I appreciate the Senator's cooperation. I yield back my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the Senator from Arkansas. [Putting the question.]

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. MAGNUSON. Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk proceeded to read the amendment.

Mr. MAGNUSON. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered, and the amendment will be printed in the RECORD.

The amendment, ordered to be printed in the RECORD, is as follows:

At the end of the bill insert the following:

"INSURANCE OF SAVINGS AND LOAN ACCOUNTS AND BANK DEPOSITS OF PUBLIC UNITS

"SEC. 1520. (a) The second sentence of section 401(b) of the National Housing Act, as amended (12 U.S.C. 1724(b)), is amended—

"(1) by striking out 'for the purpose of determining the amount of the insured account'; and

"(2) by striking out the period and inserting in lieu thereof the following: ', and the dollar limitations imposed by this Act shall not be applicable to any such insured member, but the corporation may by regulation limit the amounts of such funds that may be invested in insured institutions.'



"(b) The third sentence of section 3(m) of the Federal Deposit Insurance Act, as amended (12 U.S.C. 1813(m)), is amended—

"(1) by striking out 'for the purpose of determining the amount of the insured deposits,'; and

"(2) by striking out the period and inserting in lieu thereof the following: ', and the dollar limitations imposed by this Act shall not be applicable to any such insured depositor'."

Mr. MAGNUSON. Mr. President, if I may have the attention of the chairman of the committee, the reason I have submitted the amendment at this time is due to the fact that in the State of Washington we have an unusual and peculiar situation which prohibits the savings and loan people from accepting deposits from local public units such as the water district and the school districts. They are insured up to \$15,000 but many of these deposits are of larger amounts. Therefore, the local officials who have every faith in the world in the institutions are prohibited by law from depositing in any institution that is not guaranteed.

Inasmuch as we need many resources in the savings and loan institutions, we have a bill similar to this amendment, and we hope the committee will give the matter proper attention and clear up the situation.

I understand this situation applies only to the State of Washington and perhaps one other State, the name of which I shall be glad to make available to the Senator.

I want to know if the committee is aware of this problem and if we can get action on it.

Mr. SPARKMAN. I was not aware of the problem until the Senator presented his proposal. I can understand the Senator's concern. I think it is a matter of getting some administrative action in connection with the regulations of the FDIC and the Home Loan Bank Board.

I think the matter can be worked out administratively. If the Senator will withdraw his amendment, we will do our best to work the matter out.

Mr. MAGNUSON. I thank the Senator. I hope the Senator will be able to do that. This is an unusual situation and applies only in the State of Washington. The need for housing in our area is so great, particularly in western Washington, that we wanted to get money in the institutions.

Mr. SPARKMAN. We shall cooperate.

Mr. MAGNUSON. I thank the Senator.

Mr. President, I withdraw my amendment and I yield back the remainder of my time.

The PRESIDING OFFICER. The amendment is withdrawn.

Mr. SPARKMAN. Mr. President, I yield back my time on the amendment.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. JAVITS. Mr. President, will the Senator yield to me 10 minutes under the bill?

Mr. TOWER. Mr. President, I yield 10 minutes to the Senator from New York on the bill.

Mr. JAVITS. Mr. President, I thank the Senator.

We have been examining the RECORD, and we have been examining with great

concern what happened to the disaster loan situation in the course of the debate which took place yesterday and in the course of amendments which have been adopted and amendments which have been rejected. We believe that the issue is left rather up in the air.

Mr. President, the main thing that is left up in the air, because everyone is so anxious to avoid the naughty word is with respect to riots and disorders which are disasters and catastrophes.

Mr. President, 25 percent of our retail establishments in New York's Harlem area are boarded up, and probably 20 percent of all retail establishments in Newark, N.J., in the slums are boarded up.

Any Senator representing a city, who has gone through the riot-torn areas, and I have gone through the riot-torn areas of Rochester, Buffalo, Syracuse, and New York, know what a depressing effect it has on the community and only breeds more of what we are trying to surmount.

It is a fact and I am glad it was made very clear. As I said, nobody wants to say the naughty word in the debate on the amendment of the Senator from Indiana [Mr. BAYH] and the Senator from Iowa [Mr. MILLER], that a catastrophe does include a riot, and it does.

I have introduced legislation which tries to deal with this subject without the necessity of the President's declaring a major disaster. We all understand that is an extremely difficult thing to come by, and yet that is the only way to get certain economic relief under the Small Business Administration Act. It is especially bedeviling in many of these cases where they are dealing with not one riot, but a series of riots taken together, because they are one catastrophe piled on top of another.

I am deeply interested in the housing bill and I do not wish to get into an extended controversy on the floor of the Senate at this hour with respect to passage of this important legislation.

Therefore, I would like to address myself to the manager of the bill, first, with respect to interpretation of the law, and second, on the question of whether the Senator might not consider a hearing upon my bill and other bills which will take together everything we have been talking about on this matter, what we have done, what needs to be done in light of the facts, and see if we could possibly come up in some other bill, or separately with necessary legislation to deal with the problem as far as the Small Business Administration is concerned.

With respect to the law, it will be noted, that in the Small Business Administration Act, section (7)(b)(1), loans which may be made by the administrator in the event of a catastrophe, as it is called here, there is the following language:

(b) The Administration also is empowered—

(1) to make such loans (either directly or in cooperation with banks or other lending institutions through agreements to participate on an immediate or deferred basis) as the Administration may determine to be necessary or appropriate because of floods or other catastrophes.

As I understand it, that language has been construed to relate only to certain brick and mortar loans that do not include inventories or anything that enables them to open their businesses.

I would like to ask the manager of the bill, considering what we have been doing with respect to this matter as it may affect the state of the law, whether it is clear such loans, whatever may be the interest rate, can be made. I realize there are some problems. But I wish to ask about the ability to make them.

Mr. SPARKMAN. Yes. Let me say that I can understand the Senator's interest in wanting to assure that working capital is available. I have talked with the Administrator of the Small Business Administration, and he has assured me that the authority which he would have under the Proxmire-Russell amendment of yesterday, coupled with his regular authority under section 7(a), to which the Senator made reference, is adequate to enable him to make loans for work-and capital as well as for brick and mortar in those areas.

Mr. JAVITS. Second, and I am very grateful—

Mr. SPARKMAN. Now, with reference to the hearings, of course, the Senator knows that we have a great many hearings pending. He has exacted a promise out of me two or three times—

Mr. JAVITS. Just once today.

Mr. SPARKMAN. We will take care of the hearings as best we can. I know the Senator knows that. We are scheduling them. We have scheduled work in the committee for practically every day.

Mr. JAVITS. Would not the Senator from Alabama agree with me, as well as the Senator from Texas, that at least the committee should have a look at the factual situation which is an affront to anyone who takes a look at it. Just walk downtown in Washington and see the depressing influence of burned-out buildings and boarded-up enterprises. This happened once before in the history of Washington and that was at the time the British were here. So it is not such a bad risk. Therefore, it seems to me that a great contribution to avoiding future riots would be to give future hopefulness to reconstruction. The whole picture should be looked at with a view toward seeing what might most constructively be done in the situation.

Mr. SPARKMAN. Hearings on this proposal will be held as soon as possible.

Mr. JAVITS. I thank my colleague for yielding me this time.

Mr. SPARKMAN. I thank the Senator from New York.

Mr. PERCY. Mr. President, I call up my amendment and ask that it be stated. It calls for a one-word change.

The PRESIDING OFFICER. The amendment will be stated.

The bill clerk read as follows:

On page 110, line 16, delete the word "or" the first time it appears and insert in lieu thereof the word "and".

Mr. PERCY. Mr. President, we are being charged constantly with the complaint that urban renewal drives poor people out of residential communities. The committee certainly intends that we should provide not only moderate-



income housing in urban renewal projects but also low-income housing. This amendment would assure that both low- and moderate-income housing be built in urban renewal areas. I understand that this change has been agreed to by the chairman of the Committee on Banking and Currency.

Mr. SPARKMAN. Mr. President, I am willing to accept the amendment and yield back the remainder of my time.

Mr. PERCY. I yield back the remainder of my time.

The PRESIDING OFFICER. All time has now been yielded back on the amendment.

The question is on agreeing to the amendment of the Senator from Illinois. The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment. If there be no further amendments to be proposed, the question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading and was read the third time.

Mr. MANSFIELD. Mr. President, I ask for the yeas and nays on the bill.

The yeas and nays were ordered.

Mr. TOWER. Mr. President, I yield 10 minutes to the Senator from Delaware [Mr. WILLIAMS].

The PRESIDING OFFICER. The Senator from Delaware is recognized for 10 minutes.

Mr. WILLIAMS of Delaware. Mr. President, I invite the attention of the Senator in charge of the bill to the policy of the FHA whereby a builder who has been convicted of defrauding the Government under one of the FHA construction projects will be declared eligible for another large FHA guarantee on a new construction project.

This is happening far too often.

On numerous occasions I have been calling attention to the procedure followed by the FHA where a builder who will be caught, indicted, and convicted for having defrauded the Government under one of his construction projects will again be approved by the FHA for a project under another name, perhaps in another State.

I have been complaining about this careless practice for a number of years but have been unable to get it stopped. I am wondering whether the committee would help in impressing upon the FHA the importance of stopping this practice.

In that connection I direct the attention of the Senate to another case which has just come to my attention. This case was published in the Des Moines Register this past Sunday, and I should like to read briefly from the article to show what is going on:

OMAHA, NEBR.—The man who will direct construction of Des Moines' first big low-income housing project is a well known and controversial figure here because of many housing developments he has built in the Omaha area.

Don Decker, 55, of Omaha, has been named construction manager for the Des Moines Area Council of Churches' 300 unit project in the Oakridge urban renewal area, according to Lloyd Clarke, the contractor.

Mr. President, I ask unanimous consent to have the entire article, as appear-

ing in the Des Moines Register of May 26, printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

#### BUILDER IS A CENTER OF CONTROVERSY—WILL DIRECT WORK AT DES MOINES PROJECT

(By James Risser)

OMAHA, NEBR.—The man who will direct construction of Des Moines' first big low-income housing project is a well known and controversial figure here because of many housing developments he has built in the Omaha area.

Don Decker, 55, of Omaha, has been named construction manager for the Des Moines Area Council of Churches 300 unit project in the Oakridge urban renewal area, according to Lloyd Clarke, the contractor.

#### MASS CONSTRUCTION

Decker built his reputation in Omaha by mass construction of urban housing and, according to Clarke, has a "good background for this type of project."

Decker's background also includes:

A federal court conviction on criminal charges of making false statements to secure a Federal Housing Administration (FHA)-insured loan on housing in Atlantic, Ia.

Development of a new Nebraska town called La Vista, described by its many critics as "an instant slum," in which homes were flooded, streets broke up and buyers defaulted on their loans, forcing the FHA to take over, rehabilitate and try to sell some 300 houses.

Numerous lawsuits against Decker and his companies for such things as not repaying promissory notes.

A lien filed against him earlier this month by the United States for failure to pay federal income taxes totaling \$46,533.

Clarke, of Des Moines, said that Decker is "an associate of mine in Clarke Housing Co." and "will be the man on the job." Decker will supervise construction and direct operations of foundation, carpentry and painting crews, Clarke said.

#### A \$4-MILLION PROJECT

Clarke and Council of Churches' spokesmen have said that the \$4-million Oakridge project will provide "attractive, safe housing for persons with low incomes."

No public announcement has been made of Decker's participation, but Clarke confirmed that Decker will provide the "executive management" of the project.

The development is being financed under FHA's "221(d)(3)" program, which provides government-insured loans for construction of low- and moderate-income housing. Decker recently got FHA approval to build several 221(d)(3) projects in Nebraska.

The ground-breaking ceremony for the Oakridge project was held May 12, with Robert C. Weaver, secretary of the Department of Housing and Urban Development, turning the first spade of earth. Construction will begin shortly.

Both Clarke and Decker have been active in the National Association of Home Builders, of which Clarke now is president. Both are acquainted personally with the highest federal officials.

Decker has been president of the Omaha Home Builders Association and a director of the National Association of Home Builders.

#### A 1961 INDICTMENT

On Jan. 7, 1961, Decker and Ralph Norman, an Atlantic man, were indicted by a federal grand jury in Council Bluffs on eight counts of making false statements to get FHA-insured loans and on one count of conspiracy.

The indictment charged that the two men paid eight Atlantic couples \$100 each for signing FHA forms, stating falsely that each couple had purchased property in Atlantic from Paul's Development Co., which was

described as a subsidiary of Decker Enterprises, one of several corporations controlled by Decker.

Decker and Norman, on Feb. 1, 1961, pleaded nolo contendere (no defense) to one count of making false statements. They were found guilty, fined \$2,500 each and placed on three years probation. The other counts were dismissed.

Seven weeks later, Decker was released from probation on the motion of his attorney and business associate, John W. Delehant, who told the court that banks were cutting off Decker's credit and that probation was working a "great hardship" on Decker's business.

#### JUDGE'S OBSERVATION

In terminating the probation, U.S. District Judge Robert Van Pelt noted that Decker had paid his fine and had been "reinstated" by FHA "to enjoy the privileges of the FHA program."

The court file contains a letter dated Mar. 14, 1961, from Russell M. Bailey, Omaha director of FHA, notifying Decker that the FHA "central office" had reinstated him.

Bailey's letter said the FHA was issuing commitments to Decker for 143 houses. Bailey said he was "extremely happy" about Decker's reinstatement, "as we are hoping to have you, as a builder of low priced homes, supplying a market which is sorely needed in our area."

On Dec. 17, 1965, Decker was given a "full and unconditional pardon" by President Johnson.

After his reinstatement, Decker's new development called La Vista began to boom. It is located at the south edge of Omaha, just across the county line in Sarpy County.

#### EASY STREET

The main thoroughfare was named Easy street. After the area ran into trouble and the street's name became the butt of jokes, it was changed to Park View boulevard.

Decker Enterprises built hundreds of homes, selling them for \$9,999.99 each, many of them to Air Force personnel stationed at nearby Offutt Air Force Base.

Storm sewers in La Vista drained into an open ditch, which overflowed, spilling water and mud into some of the homes.

Homeowners began moving out, in some cases simply abandoning their homes and defaulting on their loans. Lending institutions repossessed many homes and turned them over to FHA, which had to reimburse the lending institutions for the amount of the loan and interest.

Jack Obbink, deputy director of FHA in Omaha, told The Sunday Register that the trouble was the result of "a general market failure."

#### INSTANT SLUM

A reliable source with a savings and loan association, however, said the trouble resulted more from "the fact that the houses and the area were no good—an instant slum."

Obbink acknowledged that the Decker-built homes had "no insulation, no garages, no driveways and no sidewalks." He said FHA had to do considerable rehabilitation before it could resell the homes.

"We had to create something usable from something that was not usable," he said.

At one point in 1964, FHA was in possession of 268 houses in the entire state of Nebraska. All but 98 of these were in La Vista. Later, the FHA had about 300 La Vista homes and sold the last ones just this year.

Other builders now have come into the area and have built other housing. La Vista is making a "nice comeback" and will not end up being a "ghost town," FHA's Omaha director Bailey said.

Obbink said Decker "is completely eligible as far as we're concerned" for FHA projects. He noted that many builders are not willing to undertake low-cost housing construction,



for which there admittedly is a need in most cities.

A source who works for a lending institution that had to repossess some La Vista houses said the FHA lost at least \$2,000 on each house it had to fix up and resell.

#### SUIT ON PAVING

In 1965, the city of La Vista filed a \$610,000 lawsuit against Cornhusker Paving Co. of Omaha, a company with which Decker has no apparent direct connection but which has done paving work in Decker developments.

The suit claimed that streets in La Vista had broken up.

At the trial late last year in Sarpy County District Court, the project engineer testified that the streets were paved to a thickness of six inches, on oral instructions from Decker, rather than eight inches as shown in the specifications.

He also testified that sanitary sewers beneath the streets settled, adding to the street breakup, because no earth compaction was done in the sewer trenches. The earth and sewer work was done by Earthworms, Inc., of Omaha, of which Decker is president.

The lawsuit resulted in a \$30,000 verdict for the city against the paving company. The city has appealed the verdict to the Nebraska Supreme Court on the ground that the verdict was too low.

#### OTHER INCIDENTS

Decker was in the public eye several years before he started La Vista.

One of his developments, called Karen Addition, was plagued by flooding in 1956. The storm sewer system then also was basically a drainage ditch dug by Phoenix Development Co., another Decker firm.

The city responded to residents' protests by developing a civil defense plan for evacuation of the area in time of flooding.

Residents of the Decker-built Western Hills addition also complained to the city of the lack of closed storm sewers in their area in 1956.

More than a dozen lawsuits have been filed against Decker and some of his companies—Decker Enterprises, Inc.; Don Decker, Inc., and Cornhusker Homes Co.—since 1960.

Suits for non-payment of promissory notes have totaled more than \$260,000.

One Omaha attorney who has extensive knowledge of Decker's affairs said: "I don't know how he does it. It's amazing that he can come up with the money and keep going like this."

#### TAX LIENS

According to the Douglas County Register of Deeds, the federal government last Jan. 31 filed tax liens against Decker for unpaid federal income taxes as shown on his tax returns for 1960 and 1961.

The unpaid amounts were \$917.37 for 1960, \$7,111.50 for 1961. The two were paid off and released Apr. 26.

On May 2, tax liens were filed for the years 1962 and 1963, totaling \$46,533.35. The liens showed unpaid income taxes of \$16,336.79 for 1962, \$30,197.06 for 1963. The liens are still in force.

A spokesman for the Internal Revenue Service in Omaha said the federal government has the power to seize and sell property to satisfy a tax lien, but refused to say if any such action will be taken against Decker.

Decker's company, Cornhusker Homes, currently is building a 221(d)3 project in a predominantly Negro area of north Omaha.

The 98-unit Good Neighbor Homes development is sponsored by the St. John A.M.E. Church and the Omaha Redevelopment Co., a non-profit corporation started by Mayor A. V. Sorensen and some Omaha businessmen to raise seed money for housing projects.

The two-story, redwood-paneled development is about half completed.

Decker also has received FHA authorization for two more 221(d)3 projects in Omaha and two in Grand Island, Neb.

#### DES MOINES PROJECT

The Council of Churches project in Des Moines is designed to meet a critical need for low-cost housing, particularly for those persons, most of them Negroes, who were displaced by the clearance portion of the Oakridge project.

Two insurance companies are financing construction of 150 of the units at a cost of \$2 million, under federally insured loans. These units are designed for low-income persons. They will be eligible for federal rent supplements and will rent for as low as \$26 a month.

The other 150 units, designed for moderate-income families, will be financed by the Federal National Mortgage Association at below-market interest rates.

A corporation formed by the Council of Churches will administer the housing project after it is completed in about 15 months. The 16-acre site is located north of Center street and east of Fifteenth street.

Clarke Housing Co. is to be paid \$218,165. Of that total \$61,455 is designated as "overhead" and \$156,710 is "profit." Architects are R. Bruce Widstrom Associates of Omaha, a firm that previously has done work for Decker.

Mr. WILLIAMS of Delaware. Mr. President, here is Mr. Decker's background as it appeared in this article:

A federal court conviction on criminal charges of making false statements to secure a Federal Housing Administration (FHA)-insured loan on housing in Atlantic, Ia.

Development of a new Nebraska town called La Vista, described by its many critics as "an instant slum," in which homes were flooded, streets broke up and buyers defaulted on their loans, forcing the FHA to take over, rehabilitate and try to sell some 300 houses.

Numerous lawsuits against Decker and his companies for such things as not repaying promissory notes.

A lien filed against him earlier this month by the United States for failure to pay federal income taxes totaling \$46,533.

The article further states:

Clarke and Council of Churches' spokesmen have said that the \$4-million Oakridge project will provide attractive, safe housing for persons with low incomes."

No public announcement has been made of Decker's participation, but Clarke confirmed that Decker will provide the "executive management," of the project.

The development is being financed under FHA's "221(d)3" program, which provides government-insured loans for construction of low- and moderate-income housing. Decker recently got FHA approval to build several 221(d)3 projects in Nebraska.

The ground-breaking ceremony for the Oakridge project was held May 12, with Robert C. Weaver, secretary of the Department of Housing and Urban Development, turning the first spadeful of earth. Construction will begin shortly.

Both Clarke and Decker have been active in the National Association of Home Builders, of which Clarke now is president. Both are acquainted personally with the highest federal officials.

Decker has been president of the Omaha Home Builders Association and a director of the National Association of Home Builders.

#### A 1961 INDICTMENT

On Jan. 7, 1961, Decker and Ralph Norman, an Atlantic man, were indicted by a federal grand jury in Council Bluffs on eight counts of making false statements to get FHA-insured loans and on one count of conspiracy.

The indictment charged that the two men paid eight Atlantic couples \$100 each for signing FHA forms, stating falsely that each couple had purchased property in Atlantic from Paul's Development Co., which was de-

scribed as a subsidiary of Decker Enterprises, one of several corporations controlled by Decker.

Decker and Norman, on Feb. 1, 1961, pleaded nolo contendere (no defense) to one count of making false statements. They were found guilty, fined \$2,500 each and placed on three years probation. The other counts were dismissed.

Seven weeks later, Decker was released from probation on the motion of his attorney and business associate, John W. Delehant, who told the court that banks were cutting off Decker's credit and that probation was working a "great hardship" on Decker's business.

#### JUDGE'S OBSERVATION

In terminating the probation, U.S. District Judge Robert Van Pelt noted that Decker had paid his fine and had been "reinstated" by FHA "to enjoy the privileges of the FHA program."

The court file contains a letter dated Mar. 14, 1951, from Russell M. Bailey, Omaha director of FHA, notifying Decker that the FHA "central office" had reinstated him.

Bailey's letter said the FHA was issuing commitments to Decker for 143 houses. Bailey said he was "extremely happy" about Decker's reinstatement, "as we are hoping to have you, as a builder of low priced homes, supplying a market which is sorely needed in our area."

On Dec. 17, 1965, Decker was given a "full and unconditional pardon" by President Johnson.

After his reinstatement, Decker's new development called La Vista began to boom. It is located at the south edge of Omaha, just across the county line in Sarpy County.

#### EASY STREET

The main thoroughfare was named Easy street. After the area ran into trouble and the street's name became the butt of jokes, it was changed to Park View boulevard.

Decker Enterprises built hundreds of homes, selling them for \$9,999.99 each, many of them to Air Force personnel stationed at nearby Offutt Air Force Base.

Mr. PASTORE. Mr. President, may we have order, and will the Senator read a little more slowly so we can follow him?

Mr. WILLIAMS of Delaware (reading):

Storm sewers in La Vista drained into an open ditch, which overflowed, spilling water and mud into some of the homes.

Homeowners began moving out, in some cases simply abandoning their homes and defaulting on their loans. Lending institutions repossessed many homes and turned them over to FHA, which had to reimburse the lending institutions for the amount of the loan and interest.

Mr. President, I have asked that the whole article be printed in the RECORD. My question to the chairman of the committee is this: Is there not some way we can stop the FHA from approving the same builders who have had a record of having defrauded the Government once? Once in enough. We have had numerous cases of similar situations over the years. I am just wondering if the chairman of the committee and the ranking minority member can join in alerting the FHA that we do not want this type of builder constructing these low-cost homes. Here we have the indefensible situation in which a builder who has a \$40,000 tax lien against him has been approved for an FHA-guaranteed loan. It is ridiculous.

Mr. SPARKMAN. Mr. President, let me say to the Senator from Delaware that I surely am as opposed to letting



fraudulent builders construct these projects as the Senator from Delaware is.

Mr. WILLIAMS of Delaware. I realize that.

Mr. SPARKMAN. I think that out of the hundreds of thousands, there is an infinitesimal number that prove to be fraudulent; but I shall be glad to discuss the matter with FHA officials and alert them in every way I can, and if one does slip by, to do just what was done in the case cited by the Senator from Delaware.

Mr. TOWER. Mr. President, I concur in what has been stated. I think it is indeed appalling that the Government would allow people who defrauded the Government one time to still participate in these Government projects. I would suggest that if there is evidence that this is a rather substantial practice, the Government Operations Committee should look into it and perhaps conduct an investigation.

Mr. WILLIAMS of Delaware. This loose practice needs looking into. This is not a blanket indictment of every builder in the country. This may be an isolated case, but it is not the only one. In the past few years we have referred to several such cases. The FHA tells me the trouble is that these people go bankrupt under the name of one company and then move to another State forming another corporation. But this is no excuse the agency could have a central clearinghouse to which the FHA Directors in all of the 50 States would report all bad credit risks so that if the Joe Dokes referred to had a bad record of payment in one State that fact would be known in all. That is just good commonsense. For months and years I have been discussing some of these so-called isolated cases. I mentioned one case a few months ago in which one builder had defrauded the Government while in New York State, then went to Texas and defrauded the Government again, then went to Florida, and the last time we knew was trying to get approval of another project under another company.

The agency should have a clearinghouse of those who have defrauded the Government by false applications or defaulted payments. At the same time this central filing place should carry a tabulation based on the experience of all Government agencies, the Small Business Administration and all other Government agencies that lend money. Why not have a central clearinghouse for credit.

I found a case some time back in which someone had defaulted with the FHA, and then had borrowed money from the Small Business Administration to make good on the FHA loan. Then he defaulted on the Small Business Administration loan. The argument was made that the FHA had told them nothing about his bad record of payments. They do not check with the Treasury Department, another Government agency, to see whether the man had paid his income taxes, which could very easily be done.

I repeat, what the Government needs for all its lending agencies, not only the FHA but the Small Business Administration and all other agencies that make or

guarantee loans, is a central clearinghouse for all its creditors, so the record of Joe Doaks as a credit risk can be put on the computer and then the information can be readily available as to whether he had paid his bills in the past. If the agency did that it would find it could eliminate many of its losses.

I hope that this colloquy, supported by the chairman of the committee and the ranking minority member, will help. By joining in protest to the director of the agency, perhaps we shall be able to get a little more cooperation than we have been able to obtain in the past.

Mr. LAUSCHE. Mr. President, may I have 5 minutes?

Mr. SPARKMAN. I yield 5 minutes to the Senator from Ohio.

Mr. LAUSCHE. I wish to ask a question of the manager of the bill. Let us assume that organization X, made up of private individuals, desires to develop a project that will make available living suites for what are considered low-income or medium-income families. It makes inquiry of the Federal Government as to what aid can be provided for it to develop the particular project. My query is, first, Would that organization become entitled to what is known in the bill as 1 percent interest loans; and two, supplemental support in the payment of rent by the tenants; and, three, such other aid as the manager of the bill or his staff may be able to identify for me? What I want to find out is what, in the aggregate, is the support that the Federal Government will give to an organization of this type, which is not a nonprofit organization.

Mr. SPARKMAN. Mr. President, let me say, in answer to the query of the Senator from Ohio, that, first of all, to get approval for the kind of project the Senator refers to, it would have to be a nonprofit organization or a limited dividend organization.

Mr. LAUSCHE. Will the Senator yield?

Mr. SPARKMAN. Yes.

Mr. LAUSCHE. I asked that question because there have been evidences of individuals exhibiting philanthropic or charitable purposes, but who, in fact, want Government aid to enrich their own pockets. But the answer now is it would have to be a nonprofit organization to be legitimate?

Mr. SPARKMAN. Yes, or a limited dividend corporation.

Mr. LAUSCHE. What is that?

Mr. SPARKMAN. It is a corporation which limits the dividends.

Mr. LAUSCHE. Is there any control of the remuneration in the salaries paid to the officers?

Mr. SPARKMAN. I can not tell the Senator that. I do not know.

Mr. LAUSCHE. But it is a limited dividend, nonprofit—

Mr. SPARKMAN. That is right.

Mr. LAUSCHE. But that would be a profit organization.

Mr. SPARKMAN. The very fact that it is a limited dividend corporate would mean that 6 percent would be the maximum profit, and, of course, the officers could share that 6 percent.

Mr. LAUSCHE. That answers the third aspect of my question. No. 1, would that

organization be entitled to the 1 percent interest payment that the corporation would make, and the interest rate over and above 1 percent would be paid by the Government?

Mr. SPARKMAN. Under this new bill, that would be possible.

Mr. LAUSCHE. All right. That is item No. 2.

Mr. SPARKMAN. The Senator will understand that the 1 percent is not automatic. It may be that low. That is, it may subsidize down to 1 percent. But on the other hand, according to the family's income, the subsidy might be much smaller in amount than that.

Mr. LAUSCHE. No. 2; they would be entitled to the aid provided in the bill which we have discussed, that the Government will pay the difference between the stipulated rate of interest and the 1 percent; is that correct?

Mr. SPARKMAN. It may be 1 percent, but not necessarily. It could be 2, 3, or 4 percent, according to the income of the family.

Mr. LAUSCHE. All right. No. 3, suppose that the corporation wanting to earn its 6-percent dividend should find that the interest help that has been given was not adequate, and that supplemental rent supports for the tenants were also needed. Would the tenants be entitled to supplemental rent supports?

Mr. SPARKMAN. If the project was approved for rent supplement assistance, it would.

Mr. LAUSCHE. Who would determine that?

Mr. SPARKMAN. The Senator speaks of 6 percent. The Government does not guarantee that.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. LAUSCHE. I ask for 2 additional minutes.

Mr. SPARKMAN. I yield the Senator from Ohio 2 more minutes.

Mr. LAUSCHE. Who would determine whether it was a supplemental rent project?

Mr. SPARKMAN. The sponsor would request that from the Secretary of Housing and Urban Development.

Mr. LAUSCHE. Who would ask whom?

Mr. SPARKMAN. The sponsor would ask the Secretary of Housing and Urban Development.

Mr. LAUSCHE. So that the Secretary of Housing and Urban Development could finally say, "You are not only going to be allowed up to 6-percent dividend; you will be provided with aid in the payment of interest, but we will also allow your tenants to have supplemental rent supports."

Mr. SPARKMAN. There is no windfall there, if that is what the Senator is driving at.

Mr. LAUSCHE. Are there any other supports that a private promoter would be able to get under the bill, in addition to the ones I have identified?

Mr. SPARKMAN. The private promoter could come in and get permission to build one of these projects, either for sale or for rent, but he would have to qualify, and then when he built it, and the tenants were selected and moved in, or the purchasers were selected, the amount of



interest subsidy that would have to be paid would be determined from the income level of the family.

In other words, all of it is based on the income level of the family.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. LAUSCHE. I ask for 3 more minutes.

Mr. SPARKMAN. I yield the Senator from Ohio 3 additional minutes.

Mr. LAUSCHE. The Senator has not answered my question. My question is, what other type of aid is there?

Mr. SPARKMAN. None.

Mr. LAUSCHE. In addition to the interest subsidy and the rental supplement subsidy, what others are there?

Mr. SPARKMAN. We have discussed the rent supplement and the interest subsidy.

Mr. LAUSCHE. Are there any others?

Mr. SPARKMAN. That is all.

Mr. LAUSCHE. What about the community housing developments mentioned by the Senator from Colorado?

Mr. SPARKMAN. That is, a new town?

Mr. LAUSCHE. Yes. Where it says that the Secretary of Housing and Urban Development, in his discretion, can increase the aid for the development of sewer and water systems from 50 to 80 percent.

Mr. SPARKMAN. That is correct. It can make a supplemental grant of 20 percent, but in no event will all of the aid exceed 80 percent for water and sewer projects.

Mr. LAUSCHE. Eighty percent?

Mr. SPARKMAN. That is correct.

Mr. LAUSCHE. In a new community project, the Government also, under title IV, guarantees the payment of all bonds and indentures that are issued by a new community development; is that correct?

Mr. SPARKMAN. They are insured. I mean, the whole project would be insured, as an apartment building or a single-family dwelling would be insured.

Mr. LAUSCHE. Is it a correct statement that the Government undertakes, with respect to corporation X, to guarantee those who promote the project that under no circumstances will they lose any money?

Mr. SPARKMAN. Oh, no. No; there is no such guarantee as that. It is just like the regular FHA insurance. In other words, the Government stands behind the guarantee. This is similar to the FHA insurance programs, for which the FHA collects a premium, and on such premiums it has made a profit of some \$1 billion over the past 30 years.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. LAUSCHE. I think the Senator has answered my question. I ask for 1 minute more.

Mr. SPARKMAN. I yield the Senator 1 additional minute.

Mr. LAUSCHE. I still believe that the Government guarantees to these individuals, "You have no fear of loss."

Mr. SPARKMAN. No.

Mr. LAUSCHE. The Senator cannot agree with that?

Mr. SPARKMAN. Not at all.

Mr. LAUSCHE. That is the way it looks to me.

Mr. MAGNUSON. Mr. President, this legislation will help close the gap be-

tween our expectation and our achievement as a nation.

The expectation was established by Congress itself with the 1949 declaration of the national goal of a decent home in a suitable living environment for every American family.

Enactment of this legislation would be a long step toward fulfillment of the goal we seek.

This omnibus housing and urban development legislation is a blueprint for action vital for an urban America in crisis. President Johnson in his message on housing and cities stated the situation thus:

Today America's cities are in crisis. This clear and urgent warning rises from the decay of decades—and is amplified by the harsh realities of the present.

We know these realities: Housing inadequate and insufficient, festering slums, streets clogged with traffic, air polluted by soot and waste, crime rates rising, and inadequate public services.

And we know also that our cities are plagued with a shrinking tax base from which to raise funds that can pay for the services that are needed.

There is new thrust in this legislation's provisions for housing and construction and the revitalization of our cities.

The legislation proposes to eliminate our slum housing problem and it offers the means to do it. It paves the way for the development of our total housing and urban resources to meet not only our needs today but for our growing future.

It justly emphasizes the need for accelerating provision of decent housing for low-income Americans. Nothing is more fundamental than this. Sufficient and adequate housing at costs that low-income people can meet is the basic answer to slums. We must replace with decent homes the shameful substandard units where 20 million Americans live.

To achieve this objective, we have to increase our present rate of building housing for the low- and moderate-income market.

The bill we are considering is an essential step in the right direction. It is a minimum step in this year of 1968. As the techniques are tested and improved, and as resources become more available, we can—and I think we will—increase the volume, and increase it until every American has a decent home.

The thrust of these housing and urban programs is toward a heavy involvement of the private sector. I think this is good because our best hope to rid ourselves of slums and bring decent housing to all our people lies in the combined resources of public and private enterprise.

We are fortunate that the challenge and opportunities offered by unmet housing markets are being definitely recognized by the private sector. The business community is giving strong indication of its desire to participate in the rebuilding of our cities and the provision of housing for the low-income market where it is so urgently needed.

Business—large business in particular—has become increasingly concerned and involved in trying to meet and solve housing and urban problems.

We have talked about private sector

involvement for years. Now this legislation proposes to translate talk into action. It proposes National Housing Partnerships to bring large-scale capital into the lower income housing field on a private basis. It would enable large business, with capital to invest, to move into this housing field, using the various Federal aids available, with certain tax protections and benefits to support such a risk for private capital, particularly during the early non-profitable development stages.

The provisions for developing sale and rental housing for families with low or moderate incomes—including the elderly and handicapped who cannot now secure adequate and decent shelter—also look to the private sector for fulfillment. Private enterprise would build the housing, assisted by FHA mortgage insurance and subsidized interest rates. The subsidy would benefit the buyer or tenant according to his income. It would mean opportunity for homeownership for our lower income families; and it would mean decent housing—new or substantially rehabilitated—for renters who otherwise would not be able to achieve it.

Let me say about homeownership, that it has proved, at least on a small scale, that it can be a powerful ingredient in raising the morale and instilling fresh pride into the lives of low-income families.

The scale to which the programs are held in the legislation before us is not, in my opinion, high enough. I feel it should be higher—more nearly on the level of President Johnson's recommendations. But it does adopt the type of action we now need; it does broaden and expand our efforts in the housing and urban development field; it does greatly increase the number of people who would benefit. I am for the legislation, Mr. President, and I urge its adoption.

Mr. GORE. Mr. President, though I will resist the temptation either to explore the extent of the wrongs or to express the extent of my exasperation at the unreasonably high interest rates that now prevail and plague the people, before passage of this bill I must and do denounce the tragic mismanagement of our fiscal and monetary affairs by the Johnson administration. In this respect, its failure is colossal.

Mr. MCINTYRE. I wish to direct my remarks to a section of the bill that has not received a great deal of publicity but which offers great promise toward solving the problems of slums and blight in our cities. I refer to the creation of a neighborhood development program in the urban renewal legislation as provided by section 501 of this bill. During the course of the subcommittee hearings there was widespread support for this provision. Mayors and urban development professionals have exhibited much enthusiasm for this new provision.

Under the present urban renewal program, a locality designates a blighted area and applies to HUD for funds to prepare the necessary urban renewal plan and other data which are prerequisite to undertaking any project activities. The separate planning period usually takes about 2 years. It is often 3 years from



the time an area is designated to the time the project actually begins to acquire land, rehabilitate homes, install improvements, and undertake other activities. The project is financed in its entirety through a grant reservation that is initially based on estimates made prior to planning and which are refined when planning is completed. Consequently, the present program requires that an urban renewal plan and a financing plan be prepared to cover a broad range of activities that will be carried out over a period of several years. Once the plans are approved and activities begin, changing circumstances over time often necessitate revisions being made to the urban renewal plan and adjustments in the financing plan which often result in grant increases. This is to be expected, and properly so, in a complex program that has significant impact and which necessarily takes several years to complete. Given the nature of urban development processes, the program has worked well.

However, the urban renewal program has limitations as a result of the mechanics required under existing law. A project must be big enough to have an impact but small enough so that the whole project can be planned in detail well in advance of project execution. This includes financial considerations as well as physical planning. This system poses difficulties for communities that wish to undertake renewal activities in large areas of critical need.

Moreover, cities have found that it is often difficult to develop plans for large areas when it is known that conditions will change over time. Particularly, in rehabilitation there is a need to begin quickly without lengthy planning delays during which properties may further deteriorate—even to a point where the intended rehabilitation becomes infeasible. In many cities it is essential that some activities begin immediately upon designation of an area. This necessity often precludes utilization of urban renewal because of its detailed planning requirements. While the present urban renewal program successfully meets the needs for which it was designed, our years of experience and the pressing needs of our cities require improvements to increase the flexibility of renewal mechanisms.

The neighborhood development program is the response to these needs. It has been designed to permit flexibility in dealing with changing conditions and to achieve the most effective and efficient utilization of funds. It is an optional program inasmuch as localities have the choice of utilizing it or continuing with the traditional urban renewal program. The new program is most likely to be used for large rehabilitation projects where flexibility is particularly important; and the old program is most likely to be used where clearance of slum areas is to be followed by new construction requiring advance agreement to a relatively firm plan.

A neighborhood development program may consist of urban renewal project undertakings and activities in one or more urban renewal areas that are planned and carried out on the basis of annual increments. The requirements

would be similar to those for the existing urban renewal program with a few major differences. Many activities not requiring detailed planning could begin immediately, while more detailed planning of future activities would be carried out concurrently. For example, rehabilitation activities could begin immediately assisted by Federal rehabilitation loans and grants. Rather than funding an entire project that may take many years to complete, only annual activities will be funded. Thus, it is anticipated that urban renewal funds will be more effectively utilized. There is no obligation to fund beyond the annual period for which there is a contract. However, if funds are available and the locality has demonstrated accomplishment, it could anticipate receiving funds for a series of subsequent annual increments. Further, as Congress continues its present practice of appropriating urban renewal funds on a 1-year forward funding basis, it will be possible for HUD to make a tentative reservation of funds for 1 additional year at the time an annual program is approved; so that, in effect, at any given time there is a 2-year local program. Also, the typical annual activity will be of a type which is desirable in itself, even if a later contemplated stage of urban renewal activity is not carried forward.

By way of illustration, let us assume that an area of one thousand acres is covered by a neighborhood development program. During the first year a vacant site could be developed for low- and moderate-income housing, another area could see the construction of a new school, and in a third rehabilitation could begin. During the second year a dilapidated area could be acquired and cleared while its residents are relocated into the housing developed during the first year, a commercial shopping area could undergo rehabilitation, and several neighborhood parks could be developed.

This program gives cities the necessary flexibility to adjust their programs to respond to changing conditions and to the needs of citizens as well as those of the private sector. The neighborhood development program also creates greater opportunities for citizen involvement as the planning process is a continuing one. Relocation can be more successful because the amount of displacement must be relative to the housing resources provided and available immediately. The new program will substantially increase the opportunities for neighborhood residents to remain in the area if they wish.

I believe this legislation recognizes the vital necessity of local public investment in improvements and facilities in renewal areas. Just as in the existing urban renewal program, the local share of costs may be provided in cash or through these investments recognized as non-cash local grants-in-aid. In the new program there are some changes regarding their provision. The eligibility of non-cash grants-in-aid, from the standpoint of timing, would be altered so that a facility would be eligible if its construction began within three years prior to the date of the first contract for a neighborhood development program that includes any

portion of the area to be served by the facility.

Another change somewhat tightens the eligibility for noncash credit by requiring that a facility must actually be constructed or be under contract during the annual period for which credit is claimed. This change is desirable; it will provide an incentive to localities to install needed public facilities, such as schools, sewers, streets, and other improvements, early in the renewal process. It will also enable localities to better program their capital improvement expenditures with assurance that those improvements will receive noncash credit.

The amount of noncash credits to be allowed in any year will be limited to that amount required to meet the local share of renewal costs. Excess credits that have been deemed eligible may be applied to subsequent annual increments. In addition, pooling credit from existing urban renewal projects may be counted toward the local share of a neighborhood development program. However, excess credits from an annual increment may only be applied to subsequent annual increments of the neighborhood development program.

The neighborhood development program offers communities an opportunity to meet head on the forces of blight in large areas. It will provide new tools that have the flexibility to meet problems and opportunities. It will permit cities to make better use of capital improvement programming to maximize its effectiveness. Finally, it will enable the renewal process to respond to the initiatives of private enterprise to revitalize our cities.

Mr. RIBICOFF. Mr. President, yesterday the New York Times published a report that aptly describes the issue we are considering today.

The story told of a group of Baltimore housing officials who met with New York housing officials to discuss their mutual problems.

The Baltimore visitors were told that there are at least 800,000 deteriorated apartments in New York City. That number is almost equal to the entire population of Baltimore. The visitors were startled—and deservedly so. But rundown housing is a broad-scale problem.

While housing deterioration affects the poor, it also means—

Said the Times report—

that many middle-class families, especially after they have children, find it increasingly difficult to get decent housing in the city.

The family that lives on a moderate income has often been overlooked when we have focused on the problems of the cities. This group comprises a large portion of our population. Fully 30 percent of the Nation's families live on incomes ranging from \$4,800 to \$7,800 a year.

The bill before us today, the Housing and Urban Development Act of 1968, directs itself in part to these solid citizens and their housing needs.

Those wage earners in the moderate income range are the policemen, firemen, schoolteachers, nurses, civil servants, taxi



drivers, and many others who are serving useful lives and contributing needed services to our society.

But because they must compete with higher income families for decent housing, they often are unable to improve their housing situation. When tight money strikes, they are hit the hardest.

The legislation we are considering would give to these families a much-needed and much-deserved alternative—the opportunity to purchase a home of their choice that is within their means.

Certainly, a country as wealthy as ours can afford to provide assistance to those who have helped so much to make this Nation what it is. These men and women earning moderate incomes are the backbone of our national economy and our society.

They provide our Nation with stability and strength.

The main thrust of the bill is directed toward helping the poor, through interest subsidies to investment by private mortgage funds and private homebuilders in rental housing and homeownership.

Some key provisions—those dealing with housing for low- and moderate-income families and the civil disorder reinsurance program—of the Housing and Urban Development Act of 1968 are similar to those included in legislation I proposed more than a year ago. My legislation grew out of many months of investigations by the Government Operations Subcommittee on Executive Reorganization into the Federal role in urban affairs.

The legislation and my subcommittee hearings recognized the Federal Government's failure to meet the housing needs of our low- and moderate-income citizens. The Government lacks effective tools for stimulating private housing production. I believe the Housing and Urban Development Act of 1968 will help to overcome these obstacles.

The bill authorizes and expenditure of \$75 million in interest subsidies—a sum that would start more than 100,000 families on the road to home ownership in the first year. In a 3-year period, more than 1.5 million low- and moderate-cost homes would be provided under the legislation.

With regard to Federal housing assistance to poor neighborhoods, the legislation has one very important provision. It would direct the Secretary of Housing and Urban Development to require, wherever possible, to make certain that the low-income persons residing in an area of federally assisted construction be employed in the work.

So the bill would not only move to provide more and better housing—needed housing—but it would also provide jobs, which is probably the single most important need of the poor.

There is another need met by this legislation. That is, insurance to homeowners and businessmen located in or near urban areas susceptible to civil disorder.

The Housing and Urban Development Act of 1968 has three major objectives in this field:

First, to encourage private insurance companies to offer property insurance in

neighborhoods and sections of cities where it has been difficult—if not impossible—to obtain this protection.

Second, to offer reinsurance protection to insurance companies so they can continue to provide coverage in their regular lines of property insurance against extraordinary losses from riots or other civil commotion.

Finally, to provide the basis for improving the market for insurance against burglary and theft in center city areas by including such coverage in "fair access to insurance requirement"—FAIR—plans.

This legislation provides that property owners could not be charged more than the standard premium rate, or be denied insurance coverage, unless there first had been a physical inspection of the property. And if inspection reveals that the risk is uninsurable at standard rates—because of the physical hazards or other deficiencies—the owner must be advised of specific measures necessary for the property to become eligible for insurance at the standard rate.

The FAIR plans also include provision for an "all-industry facility" in each State that would try to place approvable applications with participating companies in the State. The availability of a program of riot reinsurance, offered on a State-by-State basis, would serve as an incentive for insurance companies to cooperate and participate in FAIR plans.

The proposed legislation has a long list of supporters including the National Association of Independent Insurers, representing 350 property and casualty insurance companies writing in all 50 States; the National Association of Mutual Insurance Companies—the oldest trade association representing more than 1,100 mutual insurance companies across the Nation; the National Association of Insurance Agents, Inc., representing more than 36,000 insurance agencies throughout the United States with affiliated associations in every State and in over 1,200 communities and counties throughout the country.

Mr. President, there is a quotation that aptly summarizes the challenge met by the proposed legislation:

Housing is . . . one of the great universal tests in this difficult world: a test of ideals, ideas, skills, resources; of our democratic capacity for change and growth; of the effectiveness of both private enterprise and government and their ability to cooperate; of the intelligence of consumer and voter as well as producer and administrator. If we in America, with all our resources cannot even solve our own housing problem, what hope is there?

That statement was made by the National Public Housing Conference in 1948. In was applicable then. It is even more applicable 20 years later. Now we have more ideas, more skills, more resources—and even greater needs.

I urge Senators to support the Housing and Urban Development Act of 1968.

Mr. HART. Mr. President, I would like to comment briefly on the proposed Housing and Urban Development Act of 1968 generally before addressing myself to the specific section of the legislation with which I am concerned today.

I am in complete agreement with the President's characterization of the bill

as a "charter of renewed hope for the American city." The legislation as proposed includes measures which are essential to the well-being of our cities and all of the people who live in them. We have been asked to make sincere and long-range commitments to reverse urban deterioration, to accelerate new building and to set fixed and ambitious goals on our national housing goals.

The undertaking envisioned by the proposed bill will tax our public and private capacities—but I feel there is no other course if we are to do right by Americans of this and future generations.

One of the striking and innovative features of the act is a proposal to encourage both public and private sectors to develop new communities as a means of coping with our growing urban problems and the exploding population growth which daily aggravates the situation. Secretary Weaver in his testimony before the Subcommittee on Housing and Urban Affairs pointed out that:

A dozen years from now, when the Census of 1980 is taken it will probably show that our urban population has increased by about 43 million people—equal to the population of 89 cities the size of Buffalo.

Clearly, we must prepare for this massive growth in our population and equally clearly, we must begin our preparations without undue delay. We are faced with a problem which, in my judgment, requires more than corrective measures designed to solve current urban dislocations. I, therefore, applaud the proposed legislation's recommendation to embark on a program to stimulate the planned and orderly building of new communities. And I am pleased that my amendment requiring new technologies in building construction be required wherever feasible.

Title IV of this bill would tap new sources of land development funds by providing a Federal guarantee for private debentures or bonds to finance development for well-planned communities. These guaranteed obligations would finance only land and development other than the construction of residential, commercial, or industrial buildings. In approving the debentures for guarantee, account would be taken of the large, initial capital investment required to provide the improvements which must underlie an entire new community, as well as the extended period of time before the cash flow from the sale of improved building lots exceeds expenditures.

The Government would also be assured before guaranteeing the debentures that the proposed land development is economically sound and represents an acceptable business risk; that it would provide desirable advantages to the entire area, and that it would make available favorable living conditions for residents at all incomes who would live and work in and around the new communities.

The outstanding principal obligations guaranteed for any one new community would not exceed \$50 million, and the aggregate for the program as a whole could not exceed \$500 million.

I react to the program with enthusiasm. The need is real; the problem is



urgent; the corrective measures appear to be practical and realistic.

#### DISASTER AID FOR RIOT VICTIMS

Mr. WILLIAMS of New Jersey. An effort was made yesterday to deny certain kinds of Federal assistance to riot-torn cities such as Newark and Plainfield. The effort was successful.

I was amazed that Senator PHILIP HART and I were the only two Members of the Senate to vote against this effort.

The innocent victims of civil disorders ought to be eligible for any assistance the Federal Government can provide.

I agree with Senator RUSSELL, whose amendment was passed 57 to 2, that all such aid should be denied to individuals who are implicated in starting or carrying on riots or other disturbances, and such a provision will be included in the bill.

The housing bill reported by the committee would have made victims of civil disorders eligible for the same assistance as victims of natural disorders, such as hurricanes.

The Russell amendment denies to riot-torn cities this assistance which is now available for natural disasters from the Office of Emergency Planning. This includes immediate help in the form of food, medical supplies, and emergency shelter and long-term restoration of public facilities, such as water supply or firefighting equipment.

If a man's home is destroyed, his family needs shelter, whether it was swept away by a flood or destroyed by a fire caused by rioters. If a city's fire trucks are destroyed, it needs firefighting equipment, no matter what the cause of the destruction.

And, if the disaster is big enough in scope so that local resources are incapable of meeting the need, the Office of Emergency Planning ought to be empowered to do the job, just as it does in the case of natural disasters.

Mr. HART. Mr. President, the explanation just made by the able Senator from New Jersey reflects my own reasoning in voting yesterday against the amendment offered by the respected senior Senator from Georgia. I think I should note an additional reason and it relates to my efforts immediately following the Detroit riots of last July to obtain Disaster Assistance Act funds. Following the destruction of the riot, I argued that disaster assistance money could be made available to Detroit if an emergency declaration had been issued. At that time I introduced into the RECORD, language from the legislative debates when the Disaster Assistance Act initially was adopted and urged that this language showed no prohibition that would have prevented disaster assistance to man-made, rather than nature-made disasters.

My remarks on July 27, 1967, included the following:

In the hearing on July 19, 1950, before the Committee on Public Works of the House of Representatives which was then considering bills to authorize Federal disaster relief, the then Assistant Director of the Bureau of the Budget, Elmer B. Staats, said:

"I would like to state, at the outset that the kinds of disasters with which H.R. 8396

and H.R. 8461 seek to cope are peacetime disasters such as hurricanes or floods; and do not contemplate those which could arise from war action, such as bombing raids or sabotage. The authority contained in these bills, however, is sufficiently broad to permit the Federal government to mobilize its resources and render prompt assistance."

On September 19, 1950, in considering the conference report on this same legislation, the following colloquy took place on the floor of this body:

Senator Robertson asked:

Is it the Senator's interpretation that the bill would apply to whatever disaster the President might be pleased to have it apply?

Senator McCLELLAN answered:

That is correct; but of course the bill is intended to reach major disasters, where the local governments find that it is impossible for them to cope with the situation without having outside assistance.

Note that the "but" in this answer relates to the consequences; the extent, the sweep and degree of devastation, not to the cause of the devastation.

The language seems clear: There is ample authority for the appropriate declaration which will enable the Federal agencies to come to the relief of Detroit and its suffering citizens.

As the Senator from New Jersey has explained, the effect of the loss, the destruction, is the same; the emergency is as real and the needs are as great whether man made or nature made. I am sure that if massive flooding followed criminal destruction of a large dam or a major river levee, the disaster emergency funds would and should be available. That the destruction was a result of criminal rather than natural causes would not prevent the use of these funds.

I agree with the amendment which is being offered by the distinguished Senator from Indiana [Mr. BAYH] that one who participates in the criminal conduct ought not be the beneficiary of such funds, but cities whose facilities are needed for essential public services have been damaged or destroyed in riots to a degree justifying "emergency disaster" should be eligible for disaster aid money.

#### RURAL HOUSING PROVISIONS

Mr. PEARSON. Mr. President, the acquisition of a decent, livable home has been a more formidable problem for people living in rural areas of the United States than for those who live in urban areas, where large blocs of housing can be developed and in turn made available to individual families.

This is manifest by the fact, borne out in the census, that half of the substandard dwellings in this country are in rural territory. Inasmuch as only one-third of the population lives in those rural areas; the figures mean that bad housing is twice as prevalent, on a per capita basis, in the rural areas as in the urban United States.

One principal to be upheld as we confront the housing situation is that whatever support is given to credit programs for family homes, rural people must have the same opportunity as urban dwellers.

Another principal is that everything possible be done to place decent housing within the reach of any family that is willing to devote a maximum amount of its own means toward securing a home for itself.

Decent housing is not a luxury. It is a necessity if we are to maintain a proper living environment for the American family, for the children of American families, and for people living in retirement on frozen incomes that do not respond to ups and downs in the economic situation. Many forces influence the fortunes of an individual family, and some of those forces are wholly beyond the family's control. No family should be abandoned to its fate, so long as it is making a resolute effort to help itself.

These principles are upheld in the Housing and Urban Development Act of 1968—S. 3497—now before the Senate.

Title I authorizes the Government to supplement installment payments by low-income families for purchase of modest homes when the required payments exceed 20 percent of family income. The family would pay the principal plus at least 1 percent interest. Any necessary part of interest above 1 percent would be met by the Federal Housing Administration or, in the case of a rural family, the Farmers Home Administration of the Department of Agriculture. The Government is protected against unnecessary perpetuation of such a subsidy, in that every family's situation will be reviewed at least once every 2 years, and as periodic review may show that the family's situation is improving, the home-payment subsidy will be reduced or eliminated as may be indicated.

In title II, families unable to avail themselves of other housing programs would benefit from a plan of assistance, similar to title I, to the builders of low-cost rental and cooperative housing, to be made available to families of low and moderate income. Here again, the bill provides that these benefits will be extended in rural areas through the Farmers Home Administration, acting on authority delegated by the Department of Housing and Urban Development.

Title VI of the pending bill provides for a very necessary extension of community development planning into rural areas that must be brought into use in the coming years. The same kind of grant assistance now extended to urban areas will be made effective through State and regional agencies. The Secretary of Agriculture is given a share of responsibility for this planning in areas where new community development and the adaptation of agricultural land come into question.

Title X of the act now before us extends homeownership opportunity to rural families of low- and moderate-income by authorizing loans at the Treasury rate, or not less than 1 percent a year, for families who cannot be assisted under provisions of titles I and II. It also meets an urgent need of people who now live in cities but work in rural localities by making them eligible for rural housing loans so that they can establish homes in the communities where they work.

Title X also authorizes the Secretary of Agriculture to make loans or grants, depending on repayment ability of the recipients, for housing and training facilities for rural people who are enrolled in federally assisted manpower training



courses, through which they can improve their employment capability.

This title also strengthens the farm labor housing program by authorizing that loan funds may be used to buy building sites, as well as to erect farm labor housing.

Mr. President, these are improvements in the National Housing Act that will help to alleviate the housing problems of some 3 million rural families whose homes today fall short of a decent American standard.

I commend the Committee on Banking and Currency for the concern it has shown toward the long-neglected housing crisis in our rural areas, and I urge that the Senate pass this much-needed legislation.

#### THE SYMBOL AND CAUSE OF HOPELESSNESS

Mr. PERCY. Mr. President, an excellent article on the housing problems of the great city of New York was published in yesterday's New York Times. The article, written by Steven V. Roberts, outlines in reality the housing problems of the entire Nation.

There is no easy, quick, or cheap solution to the housing problems in New York City or in the Nation as a whole. However, we must continue to try new programs and to improve old ones, as inadequate housing is among the most urgent of our urban problems.

As the author points out, poor housing is fear: fear of vandals and narcotics addicts, fear of thieves and muggers, fear of the landlord who will throw you out if you complain, fear of being old and helpless in a five-story walk-up, fear for your children in a hundred different ways. Poor housing is the symbol, and the cause of hopelessness.

While I urge Senators to read this article, I hope they will be challenged by the problems that beset us and not discouraged by their magnitude and complexity. We must join together to find new ways to better the housing of our Nation—to provide homes, not just housing. The bill which we are considering today goes far to present innovative programs, but it surely will not be the last housing bill to be considered in this Chamber. Together with my valued colleagues, I intend to continue to apply myself to the solution of these problems and I hope today we will renew our commitment to this great task.

I ask unanimous consent that the article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

#### EIGHT HUNDRED THOUSAND DWELLINGS IN THE CITY AFFECTED BY GROWING DECAY

(By Steven V. Roberts)

A group of Baltimore housing officials recently visited Jason R. Nathan, the city's Housing and Development Administrator, to discuss mutual problems.

"To begin with," Mr. Nathan said, "we have at least 800,000 deteriorated apartments in New York City."

The visitors sat silently for a moment before one gasped: "That's almost as much as the number of people in our whole city."

The decay of vast areas of good housing is probably the major problem facing city housing officials—and one of the most important facing the Lindsay administration. The deterioration means that most of the

city's poor—especially the Negro and Puerto Rican poor—live in substandard housing with little hope for improvement.

It also means that many middle-class families, especially after they have children, find it increasingly difficult to get decent housing in the city and must seek it elsewhere, usually by migrating to the suburbs.

Since only a limited amount of public money is available to finance new construction, the city government has to run at top speed to stand still.

Last year 12,000 new apartments were built through a variety of publicly aided programs—at least half for middle-income families. But city officials estimate that close to that number of good apartments deteriorated into substandard condition for many reasons: vandalism by tenants and narcotics addicts; the venality of speculators and blockbusters, and above all, the economic difficulties of managing housing for poor families.

These are the basic conclusions of a New York Times study of city housing problems that included interviews with dozens of city officials, landlords, tenants and academic experts.

The study also reached the following conclusions:

Housing experts now realize that landlords must make a decent profit if they are going to keep their buildings in good repair, especially in low-income areas.

The fear among whites that racial integration will degrade an area both socially and economically has been a self-fulfilling prophecy; it has led to the decay of most areas into which nonwhite residents have moved, and the eventual flight of most whites. Thus nonwhites who can afford decent housing can seldom find it.

Programs designed to provide new housing for both low-income and middle-income families have been plagued by rising labor costs, interest rates and taxes. As a result, officials find it increasingly difficult to build housing at rents people can afford.

Lengthy bureaucratic delays have slowed down the construction of public housing and made private investors reluctant to become involved in public programs. Moreover, private investors demand such a high return on their money—6 per cent with government guarantees, twice that without insurance—that authorities generally agree few privately owned projects could ever provide housing for the really poor.

#### INDIGNITIES ARE ENORMOUS

Above all, the problem of housing in New York is the problem of people. The physical discomforts and indignities the poor must suffer are enormous, but the psychological damage inflicted by life in the slums is perhaps even more critical.

Kathleen Harris grew up in Harlem with her mother and six brothers and sisters. She had the first of five illegitimate children when she was 16 years old, about 10 years ago. There was no privacy, she explained, no escape from the gang on the block.

Arthur Simon, a young Lutheran minister, quoted Miss Harris in his book, "Faces of Poverty":

"Harlem makes you feel disgusted and let down. You feel this way every day. When you get up you don't care anymore.

"In Harlem there is too much confusion. People all get to feeling the same. They don't care. They don't try. But most of the people can't move out. They can't afford to. They're trapped there."

Housing for the poor in New York is the rotting tenements on the Lower East Side that Jacob Riis, the social reformer, said were "scarcely fit to shelter brutes" when he viewed the same buildings more than 50 years ago.

It is the glowering, six-story tenements along Eighth Avenue in Harlem around

which junkies and idle youths gather like a flock of birds. It is the dilapidated apartment buildings in the South Bronx; once good housing, most are now abandoned by recent landlords and, from the looks of the streets, by the Sanitation Department as well.

It is the crumbling frame and brownstone houses in Bedford-Stuyvesant. It is the shacks of Arverne on the Rockaway peninsula and Coney Island, the final dumping grounds for the city's largest, most troubled welfare families, who can find housing nowhere else.

Housing for the poor in this city is halls reeking with urine and containing leaking pipes and falling plaster. It is small children crowded into tiny rooms with no heat, and the sharp winter wind cutting through cracked glass.

#### HOUSING IS FEAR

*Most of all, housing is fear: fear of vandals and narcotics addicts, fear of thieves and muggers, fear of the landlord who will throw you out if you complain, fear of being old and helpless in a five-story walk-up, fear for your children in a hundred different ways. Poor housing is the symbol, and the cause, of hopelessness.*

In grappling with the housing problem in New York, officials really face two distinct tasks: building new housing, and preserving existing buildings, most of which would provide decent quarters, if adequately maintained.

Since it is virtually impossible to quickly replace 800,000 dilapidated apartments, more attention has been focused in recent years on rehabilitation and preservation. For many years the cry of housing reformers was to "take the profit out of the slums." The methods proposed were vigorous criminal prosecution of "slumlords," who would thus be forced into repairing their property. Today virtually every housing expert agrees that purely punitive methods have failed.

"We have to put the profit back into housing for the poor," said Roger Starr, executive director of the Citizens Housing and Planning Council. "People have to make money or they won't invest," added an official of the Buildings Department. "Nobody will throw good money after bad."

#### LANDLORDS BLAME TENANTS

However, most experts, such as Mr. Starr, are pessimistic about the possibility of upgrading existing slum housing. The central reason is that owning and managing decent housing for the poor is just not profitable. *Housing experts point out that if an investor can make 6 per cent on his money by buying blue-chip bonds, real estate—with all its headaches—has to provide twice that return to make it worthwhile.*

Housing authorities contend that many slum buildings are so abused that they would require enormous investments to be transformed into decent accommodations (investments that usually result in rent increases of as much as 100 per cent). But most landlords would find it extremely difficult to get either mortgage money or insurance in run-down areas. If they did upgrade their buildings, they would run into abnormally high maintenance costs.

There is evidence indicating that tenants themselves sometimes damage buildings. Landlords usually blame tenants for most deterioration. One landlord in Brownsville said: "They're animals, you just don't know what it's like. You can't keep a place decent."

But many academic experts argue that even if a tenant does damage a building, the roots of his antisocial behavior are deep and complex. "His building is a handy symbol of all the authority in society that oppresses him," said Professor Chester Rapkin of Columbia University. "He just lashes out against it."



## ROLE OF RENT CONTROL

Another problem is outside vandalism, primarily by narcotics addicts, who have been known to steal the plumbing from a building in daylight. And good janitorial help, which could keep many minor problems from getting out of hand, is also difficult to find in poor areas.

The rents most families can pay in run-down areas often do not cover the costs of renovation and maintenance. Thus there is no incentive for the landlord to do it. The Citizens Housing and Planning Council tried to rehabilitate two tenements on the Lower East Side last year with a foundation grant and wound up losing money.

Landlords also complain that rent control keeps down their profits and prevents them from investing more money in their buildings. City officials acknowledge privately that in some cases rent control does contribute to deterioration. But they doubt that most landlords would, in fact, put higher profits back into their buildings.

They also note that the lifting of controls would cause tremendous hardship to thousands of families, and is thus both economically and politically unfeasible.

Economics is only half of the problem of upgrading slum housing. The other half is the changing pattern of ownership in low-income housing.

It is generally agreed by students of the problem that the best housing for the poor was provided in the past by resident owners who did much of the maintenance work themselves and took pride in their buildings. But in many areas of the city, close-knit ethnic communities, such as the Lower East Side, have broken up as the immigrants and their children became assimilated into American society and sought better housing elsewhere.

As the number of resident owners dwindled, much of their property was bought up by speculators who were more interested in making as much money as possible than in managing good housing. The poor and unorganized minority groups moving into the old neighborhoods were exploited. Services dropped, profits increased. In addition, a significant amount of slum property fell into the hands of amateurs who either inherited the buildings or bought them for investment purposes.

The speculators are seldom willing, and the amateurs are seldom able, to keep buildings in good repair. The good landlord, who has both the skill and desire to manage decent property, is increasingly rare in poor areas because, as authorities note, he has better investment opportunities, and fewer headaches, elsewhere.

## PRIVATE CAPABILITY IN DOUBT

Given these economic problems, and the character of many owners of slum property, most city officials now doubt that private, profit-making ownership can operate decent housing for the poor.

"The historical system of private ownership is just not working," Donald H. Elliott, chairman of the City Planning Commission, said in an interview.

The city has tried many programs to make it work. An example is the receiver-ship program, under which the city is able to take over hazardous buildings, make repairs, and bill the owners for the costs.

But out of 120 buildings taken into the program, in only 11 cases have landlords paid the bills and reclaimed their property. It just did not pay for them to do it and the city was left with the responsibility for the properties.

What, then, can the city do? "We have been hearing for years from the easy-answer boys, who have been foisting on the public simplistic answers," Mr. Nathan said. "They say the villain is the slumlord, the Negro, rent control, the city bureaucracy,

someone on the take. But there are no answers to these complex questions."

Subsidizing private owners, through rent supplements or other devices, has been suggested as one answer. But Frederic S. Ber- man, Commissioner of Rent and Housing Maintenance expressed concern that if many of the landlords who now own slum property were given more income they would not spend it on improving their buildings.

Few housing officials believe widespread public ownership would be a good idea. It would be very expensive, and city-managed public housing has been widely criticized as "sterile" and "institutional," most contend.

City officials have been talking for almost two years about devising some way in which the city could take over slum property, fix it up, and then convey it to either a tenant cooperative or community group. Without a mortgage or real estate taxes, officials believe a building might be able to pay for itself.

While they struggle with the problem of existing slum housing city officials are also deeply disturbed by the continuing collapse and deterioration of neighborhoods that just a few years ago provided decent housing for thousands of New Yorkers.

It is difficult to measure the spread of deterioration, but every index points in the same direction. As of June 30, 1967, unpaid real-estate taxes had jumped to 5.2 per cent of the total bill, or \$169-million. In 1960 arrears amounted to 3.2 per cent. Last year 1,056 properties were foreclosed for non-payment of taxes as opposed to 629 in 1966 and 535 in 1965.

Bankers estimate that many millions of dollars in mortgages are in default, and that market prices in many areas have been cut in half. Councilman Robert A. Low estimates there are 5,000 to 12,000 abandoned buildings in the city.

The blight is indiscriminate. In the East New York section of Brooklyn, the city chose a former synagogue to use as headquarters for the Model Cities program—the Federally aided project attacking physical and social deprivation in selected areas. Two weeks later the building was vandalized and burned out.

Why this happens is very complicated. But authorities believe that these areas are faced with a much more rapid version of what happened in the present Negro and Puerto Rican slums about 30 years ago.

As younger generations of Jews, Irish and Italians move out of their old neighborhoods—primarily in the Bronx and Brooklyn—landlords begin to accept minority families who are struggling to escape from the slums in which they are trapped. Often these minority families have a good income and keep their apartments as well or better than their white neighbors.

But fear often begins to pervade a white neighborhood bordering on a nonwhite area. The out-migration of whites accelerates, and more nonwhites move in, perhaps not as well off as the first wave.

## BEGINNING OF DECLINE

As his building begins to fill up with Negroes and Puerto Ricans, a landlord often cuts services, especially if he assumes the neighborhood is going to decline and does not justify more than a minimal investment. His prophecy is self-fulfilling; if he assumes the area will go down, he guarantees that it will.

Blockbusters and speculators move in, and bankers begin to share the assumption that an area is doomed. Mortgage money and fire insurance become hard to get. Deterioration accelerates again, and the flight of whites becomes an unstoppable flood.

The panic, once it hits an area, can be devastating. In the western part of East New York, bordering on Brownsville, city officials estimate that in 1960 the population was 90 per cent white and 10 per cent nonwhite. Today the figures are reversed.

The deterioration of an area like this is not simply a function of racial change. It

results from a complex interaction involving the age of a neighborhood, tenant behavior and the venality of speculators. But the most important reason, and the hardest to combat, is fear.

Mr. Nathan and his colleagues believe that while much racial change is inevitable, some whites can be convinced to stay in these turbulent areas. More important, they feel that existing buildings can be preserved so that the new occupants can have decent places to live.

Some middle-class Negroes have moved several times into largely white areas, only to find these sections deteriorating around them in a few years, forcing them to move again.

The most common answer to the problem is that the city must provide special services and show an area that it cares. But often an area seems to suffer a decline in services just as it begins to change.

## IMPACT OF SERVICES

It is problematical, however, whether increased services would make much difference to white residents intent on leaving. In the Crotona section of the Bronx, for example, the East Tremont Young Men's Hebrew Association on Southern Boulevard expanded its program in a renovated building five years ago in a deliberate attempt to keep Jews in the area. But the Jewish population continued to drop so badly that the group is planning to close.

City officials acknowledge that sometimes they are so concerned with the problems of the worst slums that transitional areas tend to get ignored. For example, city officials said almost two years ago that they were deeply troubled about the stability of the Grand Concourse area in the Bronx and would commission a study to find out what to do. The study has never been finished.

When asked specifically what the city's strategy for coping with transitional areas was, Mr. Nathan said: "I don't know, I'm groping. We don't understand the real causes. We're hoping the Rand Corporation the West Coast research company recently hired by the city will give us an in-depth analysis so that we can develop a program."

Given the problems of existing slums and transitional areas, the pressures on the city to build new housing has increased enormously. But housing experts maintain that the available resources are in no way equal to the task.

For example, the Federal Government, now the major source of funds for housing programs, has financed only 925,000 apartments in multiple dwellings for the entire country in 30 years—while New York has 800,000 in need of replacement or renovation right now.

President Johnson has proposed the construction of six million new units in the next 10 years. His National Advisory Commission on Civil Disorders has said the country must reach that goal in five years or risk increased violence in the cities. But city officials are gloomy about the prospects for massive new appropriations, noting that Congress last year barely approved tiny appropriations for the Model Cities and rent-supplement programs.

## HOUSING LINKED TO POVERTY

Public subsidy is particularly important because the housing problem is largely a reflection of the poverty problem. The median family income for Negroes and Puerto Ricans in the city—now about 28 per cent of the population—is less than \$3,500. Most minority families, and many whites as well, cannot begin to afford new housing on the private market, which costs at least \$60 a room a month.

Mr. Nathan said that housing programs have not shown great progress in the last two years, but that the next two would be more productive. He conceded that Mayor



Lindsay has lost time by restructuring the city housing agencies under the new Housing and Development Administration and re-directing many old policies.

Moreover, he added, projects usually take several years from the time they are proposed until they are built. Therefore, statistics on how many apartments were started last year reflected more about the Wagner administration than the Lindsay administration, he said.

However, it is possible to get some idea of what the Lindsay Administration has done so far in building low-cost housing. The bulk of low-income apartments are included in public housing, which contains about 525,000 people living in about 144,000 apartments. The average rent is about \$18 a room. They were built under a variety of Federal, state and city programs, but since local voters have consistently rejected referendums on new bond issues, most projects today are financed by Washington.

The Housing Authority, which builds and manages public housing, has a waiting list of about 135,000 families. Last year it opened nine projects containing 3,582 apartments, and started another 2,701 apartments, all originally proposed by the Wagner administration.

The city has a four-year allocation for 28,800 apartments from the Federal Government under an appropriation that runs out on June 30, 1969. By its own count, the Lindsay administration says it will have, at most, 16,000 apartments approved on the local level under that appropriation by this summer.

City officials declare that they spent considerable time establishing a new policy of scattering a sizable number of public housing units in largely white, middle-class areas—much to the displeasure of some local residents. In addition, they decided that most public housing within slum areas would be small, well-designed buildings, not the traditional red-brick towers of the past.

Public housing here, is also plagued by an apparent rule-of-thumb that Washington will not usually approve a project that costs more than \$20,000 a unit to build. Since New York has the highest construction and land costs in the nation, the policy—Federal officials formally deny it exists, but city officials say it does—means that the city has great difficulty building large apartments. But an extremely critical need is for large apartments, especially since landlords have chopped up so many units into single rooms for higher profit.

Moreover, the Housing Authority's rising maintenance costs—coupled with tenants' demands for more protection against crime—could mean a rent rise throughout the city if the Federal Government does not increase its subsidies for operating expenses.

Housing for poor families is also provided by two middle-income programs financed by Federal, state and city sources. For example, the state will provide subsidies for low-income families living in housing built under the Mitchell-Lama law, but only 904 have been financed thus far.

The Federal Government will also provide rent supplements for families living in housing built under a Middle-income program known as 221 (d) (3), which the city hopes to use extensively here.

#### RESTRICTIONS CRITICIZED

City housing officials argue that Congress has provided only \$40-million for the whole country for rent supplements and has burdened the program with numerous restrictions. A family must pay 25 per cent of its income for rent, which city officials consider far too high for a large family. In addition, a family can make no more than \$6,100 a year to qualify—a ceiling officials think is far too low for New York.

These and other programs suffer under another enormous handicap: the difficulty of moving complex technical projects through

a tangle of bureaucratic and political decisions that leaves even strong administrations sputtering with anger and dismay.

There are many complex reasons for bureaucratic delay: increasing concern for relocation, detailed checks and audits by timid bureaucrats, the fragmented decision-making structure within the city government. Moreover, a large number of well-organized civic and special-interest groups further limit the government's ability to move decisively.

The most vocal and militant groups in recent years have been those representing communities affected by proposed redevelopment plans. These include national organizations such as the Congress of Racial Equality as well as local groups organized by the anti-poverty program. The Lindsay administration is convinced that such groups must play a large role in shaping the future of their neighborhoods, but officials are also aware of some of the problems this policy presents.

The Mayor and his aides have noted that community groups could become platforms for ambitious politicians who do not always speak in the best interests of the community. Local leaders also often lack expertise in technical areas and experience in managing complex bureaucracies.

Moreover, communities often do not agree on what they want. Planning for the Milbank-Frawley Circle urban renewal area in Harlem, for example, has been virtually halted by a battle between Negroes and Puerto Ricans for control of the program.

The prospect of dealing with community groups is one reason why private investors are reluctant to build housing in poor areas.

#### URBAN DEVELOPMENT CORPORATION

This is why Governor Rockefeller has proposed, and the Legislature has established, the Urban Development Corporation, which is empowered to act as a sponsor of a housing project in its early stages, when risks from political and bureaucratic delay are enormous for a private investor. The corporation would then sell the building to private interests, which could then avoid these risks.

However, some housing economists believe that private investment is no panacea. A private investor must be guaranteed a sizable return on his money, and without large government subsidies investors cannot build housing for poorer families. The Urban Development Corporation, for instance, will build mainly middle-income housing.

The problem, then, of housing in New York, is many-sided. But the central difficulty is money. Without it, present programs can neither be expanded nor improved to provide housing for the hundreds of thousands of people trapped in the city's slums, and countless others who are forced to flee to the suburbs.

But with city and state sources severely limited, and with the Federal Government shackled by spending for the Vietnam war, city officials are not optimistic. Moreover, the competition for what money there is grows constantly. New York has to fight for every nickel.

Thus experts agree that unless something unexpected happens, the economics and the statistics point to two conclusions. The middleclass, particularly families with children, will continue to find it increasingly difficult to afford rents in the city. And generations of poor people, most of them Negro and Puerto Rican, are doomed to live in squalor for the foreseeable future.

#### RIOT INSURANCE IS VITAL FOR GROWTH OF CENTRAL CITY

Mr. HART. Mr. President, I am deeply pleased to see a section of the housing bill that provides for insurance for riot-torn areas. On August 29, 1967, the Committee on Commerce held hearings on riot insurance, and the testimony of

the witnesses reflects both a deep concern with the cancellation of insurance in riot areas and a conviction that something must be done about this problem.

The availability of adequate insurance is essential to the future of any city. This was especially noted in the statement of Arthur Yim, who is with the mayor of Detroit's development team:

Obviously, the matter of insurance is a significant factor in re-establishing normal business activities in the area. For those merchants without insurance, the prospects of reopening are dim. Many have indicated that they will not return. Others are seeking State or Federal loans to help them get back into business.

Those who do return and want to rebuild will encounter many difficulties. It can be assumed that insurance recoveries, if adequate, can best be used for acquiring new stock and for start-up costs but will not be adequate to rebuild.

Most of the affected businesses are located on commercial streets that even before the rioting were "going downhill fast." Building loans and insurance were difficult to obtain then, and now, in the light of recent events, may be more difficult, or even impossible to obtain. Many of the merchants have limited funds and bank loans are likely to be hard to come by for them.

Getting insurance on new buildings will also be a big hurdle, no matter how much financing is available. Without insurance, the local lenders won't get into these areas. Neither will the Federal Housing Administration, which requires fire insurance on home loans. . . .

It is my hope that everything I have said will clearly emphasize the need for government participation in the field of insurance for high risk and riot areas. There is a definite need for some program to provide adequate fire and riot coverage at reasonable rates for businessmen and homeowners in riot-torn and riot-prone areas. We endorse and will support those measures which will accomplish this.

I strongly urge the Senate to support this measure.

Mr. THURMOND. Mr. President, the housing and urban development bill contains some helpful and beneficial provisions. Important amendments offered by several Republican members of the committee, which I supported, were defeated by the Senate. These would have greatly improved the bill and made it much sounder.

This bill places a tremendous obligation upon the Government financially; in fact, the cost over a 3-year period will be approximately \$5.5 billion.

Mr. President, at a time when our Nation is engaged in the defense of freedom in Vietnam and when we are experiencing the largest deficit in history and severe fiscal problems, I believe that it is unwise for Congress to pass a proposal as expensive as this one will prove to be. This bill not only covers housing but also involves the Federal Government and the taxpayers' money in additional expenditures for urban renewal, for rent subsidies, for mass transportation programs, for flood insurance, for riot insurance, for model cities, for guaranteeing development of new communities and many other miscellaneous public housing, urban renewal and related studies and projects.

Mr. President, such a widespread and expensive bill deserves much more care-



ful study and attention by this body. For this reason, and those mentioned above, I cannot vote for S. 3497.

Mr. TOWER. Mr. President, I yield back the remainder of my time.

Mr. SPARKMAN. I yield back the remainder of my time.

The PRESIDING OFFICER. All remaining time having been yielded back, the question is, Shall the bill pass? On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The bill clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Nevada [Mr. BIBLE], the Senator from Hawaii [Mr. INOUE], and the Senator from Missouri [Mr. LONG] are absent on official business.

I also announce that the Senator from Idaho [Mr. CHURCH], the Senator from Connecticut [Mr. DODD], the Senator from Mississippi [Mr. EASTLAND], the Senator from North Carolina [Mr. ERVIN], the Senator from Oklahoma [Mr. HARRIS], the Senator from Arizona [Mr. HAYDEN], the Senator from South Carolina [Mr. HOLLINGS], the Senator from Massachusetts [Mr. KENNEDY], the Senator from New York [Mr. KENNEDY], the Senator from Louisiana [Mr. LONG], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Arkansas [Mr. MCLELLAN], the Senator from Wyoming [Mr. MCGEE], the Senator from South Dakota [Mr. MCGOVERN], the Senator from New Mexico [Mr. MONTROYA], the Senator from Oregon [Mr. MORSE], the Senator from Florida [Mr. SMATHERS], and the Senator from Montana [Mr. METCALF] are necessarily absent.

I further announce that, if present and voting, the Senator from Oklahoma [Mr. HARRIS], the Senator from Massachusetts [Mr. KENNEDY], the Senator from New York [Mr. KENNEDY], the Senator from Louisiana [Mr. LONG], the Senator from Montana [Mr. METCALF], the Senator from Oregon [Mr. MORSE], the Senator from Minnesota [Mr. MCCARTHY], and the Senator from Florida [Mr. SMATHERS] would each vote "yea."

On this vote, the Senator from North Carolina [Mr. ERVIN] is paired with the Senator from Mississippi [Mr. EASTLAND]. If present and voting the Senator from North Carolina would vote "yea" and the Senator from Mississippi would vote "nay."

Mr. DIRKSEN. I announce that the Senator from Vermont [Mr. AIKEN], the Senator from Kansas [Mr. CARLSON], the Senators from Kentucky [Mr. COOPER and Mr. MORTON], the Senator from Arizona [Mr. FANNIN], the Senator from Hawaii [Mr. FONG] and the Senators from California [Mr. KUCHEL and Mr. MURPHY] are necessarily absent.

If present and voting, the Senator from Vermont [Mr. AIKEN], the Senator from Arizona [Mr. FANNIN], the Senator from Kentucky [Mr. COOPER], and the Senators from California [Mr. KUCHEL and Mr. MURPHY] would each vote "yea."

The result was announced—yeas 67, nays 4, as follows:

[No. 168 Leg.]

YEAS—67

Allott	Gruening	Pastore
Anderson	Hansen	Pearson
Baker	Hart	Pell
Bartlett	Hartke	Percy
Bayh	Hatfield	Prouty
Bennett	Hickenlooper	Proxmire
Boggs	Hill	Randolph
Brewster	Hruska	Ribicoff
Brooke	Jackson	Scott
Burdick	Javits	Smith
Byrd, Va.	Jordan, N.C.	Sparkman
Byrd, W. Va.	Jordan, Idaho	Spong
Cannon	Lausche	Symington
Case	Magnuson	Talmadge
Clark	Mansfield	Tower
Cotton	McIntyre	Tydings
Curtis	Miller	Williams, N.J.
Dirksen	Mondale	Williams, Del.
Dominick	Monroney	Yarborough
Ellender	Moss	Young, N. Dak.
Fulbright	Mundt	Young, Ohio
Gore	Muskie	
Griffin	Nelson	

NAYS—4

Holland	Stennis	Thurmond
Russell		

NOT VOTING—29

Aiken	Harris	McClellan
Bible	Hayden	McGee
Carlson	Hollings	McGovern
Church	Inouye	Metcalf
Cooper	Kennedy, Mass.	Montoya
Dodd	Kennedy, N.Y.	Morse
Eastland	Kuchel	Morton
Ervin	Long, Mo.	Murphy
Fannin	Long, La.	Smathers
Fong	McCarthy	

So the bill (S. 3497) was passed.

Mr. TOWER. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. SPARKMAN. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. SPARKMAN. Mr. President, I ask unanimous consent that the Secretary of the Senate be authorized and directed to make any necessary clerical and technical changes in the engrossed bill (S. 3497).

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SPARKMAN. Mr. President, on yesterday the Senator from New Hampshire [Mr. COTTON] asked a question about the authorization under the bill that was just passed as to how the money would be divided between new and existing programs. I have checked into this matter, and I find that the total authorization under the bill is \$5 billion.

Of this amount, approximately \$650 million is for new programs, and the remainder of \$4,350,000,000 is for existing programs.

I make this further point, which I believe is of interest: The impact on the budget for fiscal 1969 is approximately \$18 million.

Mr. COTTON. Mr. President, will the Senator yield?

Mr. SPARKMAN. I yield.

Mr. COTTON. This authorization extends over 3 years?

Mr. SPARKMAN. Yes.

Mr. COTTON. I thank the Senator.

Mr. MANSFIELD. Mr. President, the 2-year effort to conduct a sweeping review of needed changes in this Nation's housing program has just culminated in the Senate's overwhelming acceptance of the Housing and Urban Development Act

of 1968. Our thanks go to the senior Senator from Alabama, [Mr. SPARKMAN], the able chairman of the Committee on Banking and Currency, whose long and hard work led the way both in committee and here in the Chamber. In short, Senator SPARKMAN has achieved, with the passage of this bill, only what can be achieved with the highest legislative skill. This magnificent accomplishment is to be added to his already overflowing record of public service. We and the Nation are again in his debt.

Joining Senator SPARKMAN were other members of the committee and the subcommittee whose keen diligence and leadership in this task should be singled out. High on the list is the Senator from Texas [Mr. TOWER] whose contribution and cooperation as the ranking minority member of the Housing Subcommittee were certainly indispensable to the Senate's overwhelming adoption of the measure. Senator Tower exhibited the same high degree of ability that has distinguished his service in this body. Also the Senator from Wisconsin [Mr. PROXMIRE] deserves our praise. He added his strong, clear, and convincing views; his invaluable support.

The Senator from Illinois [Mr. PERCY] also must be singled out for his magnificent efforts both in the subcommittee and here in the Chamber. His deep and abiding interest in a constructive housing program is known well in the Senate and throughout the land. During its consideration, he demonstrated clearly his broad knowledge of all of the many facets of this sweeping measure. The same may be said of the Senator from Maine [Mr. MUSKIE].

Of course, the efforts of the distinguished Senator from Utah [Mr. BENNETT] must be noted. As the ranking minority member of the committee, his contribution on this bill, as on all measures that are reported by the committee, was superb. The senior Senator from Georgia [Mr. RUSSELL] deserves the same high praise for offering his own strong and deeply sincere views, as do the Senators from Indiana [Mr. BAYH] and Kansas [Mr. PEARSON], and the many others who participated in this discussion.

Indeed, the entire Senate is to be commended for obtaining another fine achievement and for performing the task swiftly and with full consideration for the views of each member.

Mr. DIRKSEN. Mr. President, some years ago they laid a claims bill before President Coolidge, and, as I recall, it probably was 500 pages in length. The committee of Congress was asked to come down and witness the signing. When they got around to this ceremony, President Coolidge looked at that bill, and in his nasal way he said, "Gentlemen, that's a pretty big bill, isn't it?"

We said, "So it is." And he signed it.

Mr. President, this is a pretty big bill. As I recall, there are approximately 1,400 of 1,500 pages of hearings. The bill itself is approximately 310 pages in length. It represents not the work of the last few months, but it represents the work of several years of diligent effort by Mem-



bers of the Senate Committee on Banking and Currency, on both sides of the aisle. I salute the members of the committee on both sides of the aisle, but I pay particular tribute to those of our side of the aisle—the Senator from Texas [Mr. TOWER], the Senator from Utah [Mr. BENNETT], the Senator from Iowa [Mr. HICKENLOOPER], the Senator from Massachusetts [Mr. BROOKE], and the Senator from Illinois [Mr. PERCY], who has given a lot of time to research in this field—all of whom have been extremely diligent.

When we consider the Herculean task with which they were confronted, I believe they merit a salute from the Senate for a great job well done in a challenging field.

Mr. SPONG. Mr. President, the Senate today passed the Housing and Urban Development Act of 1968. This measure encompasses the whole range of housing and urban improvement programs and contains amendments to existing law as well as several important new programs. I supported this legislation in the Committee on Banking and Currency and on the floor of the Senate, for I believe that it represents a positive step toward the Nation's goal of a "decent home and suitable living environment for every American family."

Two aspects of this legislation are significant and offer hope for the future. The first is the serious, and I hope effective, effort of the bill to make it possible for low- and moderate-income families to attain homeownership. When a family owns its dwelling, not only will it be better housed, but its members will be better citizens. An important step in the elimination of the blight and decay in our urban centers and our rural areas is to give the people who live there a stake in the area and its improvement. I believe that the growth of homeownership among our low-income families will produce important material and psychological benefits for us all.

The second aspect of the bill that I find encouraging is the increased dependence on the managerial talent and capital resources of the private sector in the solving of our serious housing problems. It is obvious that Government alone cannot provide all or even a significant portion of the housing units that we need, and that private industry, with its know-how and resources, must be called upon for its full capability if we are to approach decent housing for our citizens. In the bill we have taken several significant steps to involve the private sector in housing, and I am hopeful that this approach will be accelerated in the future.

This is an important bill. I am hopeful that the House of Representatives will act quickly and affirmatively on it so that the Nation can move vigorously to meet the serious problem of providing decent housing for our people.

#### HOUSING AND URBAN DEVELOPMENT ACT OF 1967

Mr. MANSFIELD. Mr. President, I ask unanimous consent that consideration of Calendar No. 794, S. 2700, to assist in the provision of housing for low- and

moderate-income families, and to extend and amend laws relating to housing and urban development, be indefinitely postponed, and taken off the calendar.

The PRESIDING OFFICER (Mr. MUSKIE in the chair). Without objection, it is so ordered.

#### THE CALENDAR

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1131 and the succeeding measures in sequence.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### EKLUTNA PROJECT, ALASKA

The Senate proceeded to consider the bill (S. 224) to provide for the rehabilitation of the Eklutna project, Alaska, and for other purposes, which had been reported from the Committee on Interior and Insular Affairs, with an amendment, on page 1, line 10, after the word "as," strike out "amended," and insert "amended: *Provided, however, That the nonreimbursable and nonreturnable expenditures shall not exceed \$2,805,437*": so as to make the bill read:

S. 224

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the total sums expended by the Secretary of the Interior in rehabilitation of the Eklutna project, Alaska, from damage caused by the earthquake of March 27, 1964, less the difference between the actual cost of the new dam and the estimated cost of rehabilitating the old dam, shall be nonreimbursable and nonreturnable, and not subject to the provisions of the second sentence of section 1 of the Act of July 31, 1950, as amended: *Provided, however, That the nonreimbursable and nonreturnable expenditures shall not exceed \$2,805,437.**

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, was read the third time, and passed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 1147), explaining the purposes of the bill.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

#### PURPOSE OF THE MEASURE

The purpose of this legislation, which was introduced by the Senators from Alaska, is to make nonreimbursable the cost of the work which was necessary to rehabilitate the Eklutna Federal hydroelectric power project in Alaska because of damage caused by the earthquake of March 27, 1964.

#### BACKGROUND

The Eklutna project is a single purpose, hydroelectric power development located 34 miles northeast of Anchorage, Alaska. The project was authorized in 1950 (64 Stat. 382) and construction was completed by the Bureau of Reclamation in 1955. The existing, nonfederally constructed, Eklutna Dam was acquired by the Bureau and incorporated into the project.

The project was damaged considerably by the earthquake of 1964. Investigations showed that the original dam was located on an unfavorable geologic foundation and that re-

placement of the dam by a new structure downstream was advisable. The rehabilitation of the project has been accomplished under existing authority at a total cost of \$2,885,415. Under provisions of existing law, this entire sum must be repaid by the power users along with the balance remaining on the original Federal investment.

#### PRESENT LEGISLATION

This bill will make nonreimbursable the portion of the cost of rehabilitation which are associated with returning the project to its preearthquake condition (\$2,805,437). The balance of the rehabilitation costs (\$79,978) are considered to be associated with improvement of the project over its preearthquake condition and will be repaid.

The Department of the Interior, by letter of April 12, 1968, recommended enactment of S. 224. The Bureau of the Budget, by letter of April 10, 1968, expressed no objection to enactment. The Subcommittee on Water and Power Resources held open hearings on S. 224 on April 26, 1968.

#### COMMITTEE AMENDMENT

The committee has inserted language to limit the amount made nonreimbursable by the bill to \$2,805,437 which is the specific amount of the cost described in the language of the bill as estimated by the Department of the Interior.

#### INTERNATIONAL UNION FOR THE PUBLICATION OF CUSTOMS TARIFFS

The Senate proceeded to consider the bill (S. 1578) to authorize the appropriation for the contribution by the United States for the support of the International Union for the Publication of Customs Tariffs, which had been reported from the Committee on Foreign Relations, with amendments, in line 3, after the word "appropriated" insert "annually"; and in line 9, after the word "Union" insert a comma and "but not to exceed 6 per centum of such expenses per annum."; so as to make the bill read:

S. 1578

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby authorized to be appropriated annually to the Department of State such sums as may be necessary, including contributions pursuant to the convention of July 5, 1890, as amended, for the payment by the United States of its share of the expenses of the International Union for the Publication of Customs Tariffs and of the Bureau established to carry out the functions of the Union, but not to exceed 6 per centum of such expenses per annum.*

The amendments were agreed to.

The bill was ordered to be engrossed for a third reading, was read the third time, and passed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 1148), explaining the purposes of the bill.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

#### BACKGROUND

The International Bureau for the Publication of Customs Tariffs is a small technical organization, the sole function of which is to translate and publish customs tariffs of member countries into five official languages—English, French, German, Italian, and Spanish. It was founded in 1890 by the United States and 40 other countries and







90TH CONGRESS  
2D SESSION

# S. 3497

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IN THE HOUSE OF REPRESENTATIVES

MAY 29, 1968

Referred to the Committee on Banking and Currency

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## AN ACT

To assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That this Act may be cited as the "Housing and Urban  
4       Development Act of 1968".

5                               DECLARATION OF POLICY

6       SEC. 2. The Congress affirms the national goal, as set  
7       forth in section 2 of the Housing Act of 1949, of "a decent  
8       home and a suitable living environment for every American  
9       family".

10       The Congress finds that this goal has not been fully



1 realized for many of the nation's lower income families;  
2 that this is a matter of grave national concern; and that  
3 there exist in the public and private sectors of the economy  
4 the resources and capabilities necessary to the full realiza-  
5 tion of this goal.

6       The Congress declares that in the administration of those  
7 housing programs authorized by this Act which are designed  
8 to assist families with incomes so low that they could not  
9 otherwise decently house themselves, and of other Govern-  
10 ment programs designed to assist in the provision of housing  
11 for such families, the highest priority and emphasis should  
12 be given to meeting the housing needs of those families for  
13 which the national goal has not become a reality; and in  
14 the carrying out of such programs there should be the fullest  
15 practicable utilization of the resources and capabilities of  
16 private enterprise and of individual self-help techniques.

17 EMPLOYMENT OPPORTUNITIES FOR LOWER INCOME PER-  
18       SONS IN CONNECTION WITH ASSISTED PROJECTS

19       SEC. 3. In the administration of the programs authorized  
20 by sections 235 and 236 of the National Housing Act, the  
21 below-market interest rate program under section 221 (d)  
22 (3) of such Act, the low-rent public housing program under  
23 the United States Housing Act of 1937, and the rent supple-  
24 ment program under section 101 of the Housing and Urban

1 Development Act of 1965, the Secretary of Housing and  
2 Urban Development shall—

3 (1) require, in consultation with the Secretary of  
4 Labor, that, to the greatest extent feasible, opportunities  
5 for training and employment arising in connection with  
6 the planning, construction, rehabilitation, and operation  
7 of housing assisted under such programs be given to  
8 lower income persons residing in the area of such hous-  
9 ing; and

10 (2) require, in consultation with the Administrator  
11 of the Small Business Administration, that, to the great-  
12 est extent feasible, contracts for work to be performed  
13 pursuant to such programs shall be awarded to business  
14 concerns, including but not limited to individuals or  
15 firms doing business in the fields of design, architecture,  
16 building construction, rehabilitation, maintenance, or re-  
17 pair, located in or owned in substantial part by persons  
18 residing in the area of such housing.

19 TITLE I—LOWER INCOME HOUSING

20 HOMEOWNERSHIP FOR LOWER INCOME FAMILIES

21 SEC. 101. (a) Title II of the National Housing Act is  
22 amended by adding at the end thereof the following new  
23 section:



1       “HOMEOWNERSHIP FOR LOWER INCOME FAMILIES

2       “SEC. 235. (a) For the purpose of assisting lower  
3 income families in acquiring homeownership or in acquir-  
4 ing membership in a cooperative association operating a  
5 housing project, the Secretary is authorized to make, and  
6 to contract to make, periodic assistance payments on behalf  
7 of such homeowners and cooperative members. The assist-  
8 ance shall be accomplished through payments to mortgagees  
9 holding mortgages meeting the special requirements specified  
10 in this section.

11       “(b) To qualify for assistance payments, the homeowner  
12 or the cooperative member shall be of lower income and  
13 satisfy eligibility requirements prescribed by the Secretary,  
14 and—

15       “(1) the homeowner shall be a mortgagor under a  
16 mortgage which meets the requirements of and is insured  
17 under subsection (i) or (j) (4) of this section: *Pro-*  
18 *vided*, That a mortgage meeting the requirements of sub-  
19 section (i) (3) (A) of this section but insured under  
20 section 237 may qualify for assistance payments if such  
21 mortgage was executed by a mortgagor determined not  
22 to be an acceptable credit risk for mortgage insurance  
23 purposes (but otherwise eligible) under subsection  
24 (j) (4) of this section or under section 221 (d) (2) or

234 (c) and accepted as a reasonably satisfactory credit risk under section 237; and

“(2) the cooperative association of which the family is a member shall operate a housing project, the construction or substantial rehabilitation of which has been financed with a mortgage insured under section 213 and which was completed after the effective date of this section: *Provided*, That if the initial cooperative member receiving assistance payments transfers his membership and occupancy rights to another person who satisfies the eligibility requirements prescribed by the Secretary, such new cooperative member may qualify for assistance payments upon the filing of an application with respect to the dwelling unit involved to be occupied by him: *Provided further*, That assistance payments may be made with respect to a dwelling unit in an existing cooperative project which meets such standards as the Secretary may prescribe, if the family qualifies as a displaced family as defined in section 221 (f), or a family which includes five or more minor persons, or a family occupying low-rent public housing: *Provided further*, That the amount of the mortgage attributable to the dwelling unit shall involve a principal obligation not in excess of \$15,000 (\$17,500 in any geographical area where the



1 Secretary authorizes an increase on the basis of a finding  
2 that cost levels so require), except that with respect to  
3 any family with five or more persons the foregoing limits  
4 shall be \$17,500 and \$20,000, respectively.

5 “(c) The assistance payments to a mortgagee by the  
6 Secretary on behalf of a mortgagor shall be made during  
7 such time as the mortgagor shall continue to occupy the prop-  
8 erty which secures the mortgage. The payment shall be in an  
9 amount not exceeding the lesser of—

10 “(1) the balance of the monthly payment for prin-  
11 cipal, interest, taxes, insurance, and mortgage insur-  
12 ance premium due under the mortgage remaining unpaid  
13 after applying 20 per centum of the mortgagor's income;  
14 or

15 “(2) the difference between the amount of monthly  
16 payment for principal, interest, and mortgage insurance  
17 premium which the mortgagor is obligated to pay under  
18 the mortgage and the monthly payment for principal and  
19 interest which the mortgagor would be obligated to pay  
20 if the mortgage were to bear interest at the rate of 1  
21 per centum per annum.

22 “(d) Assistance payments to a mortgagee by the  
23 Secretary on behalf of a family holding membership in a  
24 cooperative association operating a housing project shall be  
25 made only during such time as the family is an occupant of

1 such project and shall be in amounts computed on the basis  
2 of the formula set forth in subsection (c) applying the co-  
3 operative member's proportionate share of the obligations  
4 under the project mortgage to the items specified in the  
5 formula.

6 “(e) The Secretary may include in the payment to the  
7 mortgagee such amount, in addition to the amount computed  
8 under subsection (c), (d), or (j) (6), as he deems appro-  
9 priate to reimburse the mortgagee for its expenses in han-  
10 dling the mortgage.

11 “(f) Procedures shall be adopted by the Secretary  
12 for recertifications of the mortgagor's (or cooperative mem-  
13 ber's) income at intervals of two years (or at shorter in-  
14 tervals where the Secretary deems it desirable) for the  
15 purpose of adjusting the amount of such assistance payments  
16 within the limits of the formula described in subsection (c).

17 “(g) The Secretary shall prescribe such regulations as  
18 he deems necessary to assure that the sales price of, or other  
19 consideration paid in connection with, the purchase by a  
20 homeowner of the property with respect to which assistance  
21 payments are to be made is not increased above the ap-  
22 praised value on which the maximum mortgage which the  
23 Secretary will insure is computed.

24 “(h) (1) There are authorized to be appropriated such



1 sums as may be necessary to carry out the provisions of this  
2 section, including such sums as may be necessary to make the  
3 assistance payments under contracts entered into under this  
4 section. The aggregate amount of contracts to make such  
5 payments shall not exceed amounts approved in appropria-  
6 tion Acts, and payments pursuant to such contracts shall  
7 not exceed \$75,000,000 per annum prior to July 1, 1969,  
8 which maximum dollar amount shall be increased by \$100,-  
9 000,000 on July 1, 1969, and by \$125,000,000 on July 1,  
10 1970.

11 “(2) Not more than 20 per centum of the total amount  
12 of assistance payments authorized to be contracted to be  
13 made pursuant to appropriation Acts shall be contracted to  
14 be made on behalf of families whose incomes at the time of  
15 their initial occupancy are in excess of 70 per centum of  
16 the limits prescribed by the Secretary for occupants of  
17 projects financed with mortgages insured under section 221  
18 (d) (3) which bear interest at the below-market interest  
19 rate prescribed in the proviso of section 221 (d) (5).

20 “(3) Notwithstanding the provisions of subsection  
21 (i) (3) (A) with respect to the prior construction or reha-  
22 bilitation of the dwelling, or of the project in which there is  
23 a dwelling unit, for which assistance payments may be made,  
24 not more than—

25 “(A) 25 per centum of the total amount of con-

tracts for assistance payments authorized by appropriation Acts to be made prior to July 1, 1969,

“(B) 15 per centum of the total additional amount of contracts for assistance payments authorized by appropriation Acts to be made prior to July 1, 1970, and

“(C) 10 per centum of the total additional amount of contracts for assistance payments authorized by appropriations Acts to be made prior to July 1, 1971,

may be made with respect to existing dwellings, or dwelling units in existing projects.

“(i) (1) The Secretary is authorized, upon application by the mortgagee, to insure a mortgage executed by a mortgagor who meets eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

“(2) To be eligible for insurance under this subsection, a mortgage shall meet the requirements of section 221

(d) (2) or 234 (c), except as such requirements are modified by this subsection.

“(3) The mortgage to be insured under this subsection shall—

“(A) involve a single-family dwelling which has



1        been approved by the Secretary prior to the beginning  
2        of construction or substantial rehabilitation or a one-  
3        family unit in a condominium project (together with  
4        an undivided interest in the common areas and facilities  
5        serving the project) which is released from a multi-  
6        family project, the construction or substantial rehabilita-  
7        tion of which has been completed within two years  
8        prior to the filing of the application for assistance pay-  
9        ments with respect to such family unit and the unit has  
10       had no previous occupant other than the mortgagor:  
11       *Provided*, That the mortgage may involve an existing  
12       dwelling or a family unit in an existing condominium  
13       project which meets such standards as the Secretary  
14       may prescribe, if the mortgagor qualifies as a displaced  
15       family as defined in section 221 (f), or a family which  
16       includes five or more minor persons, or a family occupy-  
17       ing low-rent public housing: *Provided further*, That the  
18       mortgage may involve a dwelling unit in an existing  
19       project covered by a mortgage insured under section 236  
20       or in an existing project receiving the benefits of finan-  
21       cial assistance under section 101 of the Housing and  
22       Urban Development Act of 1965;

23       “(B) where it is to cover a one-family unit in a  
24       condominium project, have a principal obligation not ex-  
25       ceeding \$15,000 (\$17,500 in any geographical area

1 where the Secretary authorizes an increase on the basis  
2 of a finding that cost levels so require), except that with  
3 respect to any family with five or more persons the fore-  
4 going limits shall be \$17,500 and \$20,000, respectively;  
5 and

6 “(C) be executed by a mortgagor who shall have  
7 paid (i) in the case of any family whose income is not  
8 in excess of 70 per centum of the limits prescribed by  
9 the Secretary for occupants of projects financed with  
10 mortgages insured under section 221 (d) (3) which bear  
11 interest at the below-market interest rate prescribed  
12 in the proviso of section 221 (d) (5), at least \$200, or  
13 (ii) in the case of any other family, at least 3 per  
14 centum (or such larger amount as the Secretary may  
15 require) of the Secretary’s estimate of the cost of  
16 acquisition, which amount (in cash or its equivalent)  
17 in either instance may be applied for the payment of  
18 settlement costs and initial payments for taxes, hazard  
19 insurance, mortgage insurance premiums, and other  
20 prepaid expenses.

21 “(j) (1) In addition to mortgages insured under the  
22 provisions of subsection (i), the Secretary is authorized,  
23 upon application by the mortgagee, to insure a mortgage  
24 (including advances under such mortgage during rehabilita-  
25 tion) which is executed by a nonprofit organization or public



1 body or agency to finance the purchase and rehabilitation of  
2 deteriorating or substandard housing, for subsequent resale to  
3 lower income home purchasers who meet eligibility require-  
4 ments for assistance payments prescribed by the Secretary  
5 under subsection (b). Commitments for the insurance of such  
6 mortgages may be issued by the Secretary prior to the date  
7 of their execution or disbursement thereon, upon such terms  
8 and conditions as the Secretary may prescribe.

9 “(2) To be eligible for insurance under paragraph (1)  
10 of this subsection, a mortgage shall—

11 “(A) be executed by a private nonprofit organiza-  
12 tion or public body or agency, approved by the Secre-  
13 tary, for the purpose of financing the purchase and reha-  
14 bilitation (with the intention of subsequent resale) of  
15 property comprising one or more tracts or parcels,  
16 whether or not contiguous, consisting of (i) four or more  
17 single-family dwellings of detached, semidetached, or row  
18 construction, or (ii) four or more one-family units in a  
19 structure or structures for which a plan of family unit  
20 ownership approved by the Secretary is established;

21 “(B) be in a principal amount not exceeding the ap-  
22 praised value of the property at the time of its purchase  
23 under the mortgage plus the estimated cost of the re-  
24 habilitation;

25 “(C) bear interest (exclusive of premium charges

1 for insurance and service charge, if any) at not to exceed  
2 such per centum per annum (not in excess of 6 per  
3 centum), on the amount of the principal obligation out-  
4 standing at any time, as the Secretary finds necessary  
5 to meet the mortgage market;

6 “(D) provide for complete amortization (subject to  
7 paragraph (4) (E) ) by periodic payments within such  
8 term as the Secretary may prescribe; and

9 “(E) provide for the release of individual single-  
10 family dwellings from the lien of the mortgage upon their  
11 sale in accordance with paragraph (4).

12 “(3) No mortgage shall be insured under paragraph  
13 (1) unless the mortgagor shall have demonstrated to the  
14 satisfaction of the Secretary that (A) the property to be re-  
15 habilitated is located in a neighborhood which is sufficiently  
16 stable and contains sufficient public facilities and amenities  
17 to support long-term values, or (B) the rehabilitation to be  
18 carried out by the mortgagor plus its related activities and  
19 the activities of other owners of housing in the neighborhood,  
20 together with actions to be taken by public authorities, will  
21 be of such scope and quality as to give reasonable promise  
22 that a stable environment will be created in the neighbor-  
23 hood.

24 “(4) (A) No mortgage shall be insured under para-



1 graph (1) unless the mortgagor enters into an agreement,  
2 satisfactory to the Secretary, that it will offer to sell the  
3 dwellings involved, upon completion of their rehabilitation,  
4 to lower income individuals or families meeting the require-  
5 ments established by the Secretary under subsection (b).

6 “(B) The Secretary is authorized to insure under this  
7 paragraph mortgages executed to finance the sale of in-  
8 dividual dwellings to lower income purchasers as provided in  
9 subparagraph (A). Any such mortgage shall—

10 “(i) be in a principal amount not in excess of that  
11 portion of the unpaid principal balance of the blanket  
12 mortgage covering the property which is allocable to the  
13 individual dwelling involved;

14 “(ii) bear interest at the same rate as the blanket  
15 mortgage; and

16 “(iii) provide for complete amortization by periodic  
17 payments within a term equal to the remaining term  
18 (determined without regard to subparagraph (E)) of  
19 such blanket mortgage.

20 “(C) The price for which any individual dwelling is sold  
21 under this paragraph shall be in an amount equal to that  
22 portion of the unpaid principal balance of the blanket mort-  
23 gage covering the property which is allocable to the dwelling  
24 plus such additional amount, not less than \$200 (which may  
25 be applied in whole or in part toward closing costs and may

1 be paid in cash or its equivalent), as the Secretary may  
2 determine to be reasonable.

3 “(D) Upon the sale under this paragraph of any indi-  
4 vidual dwelling, such dwelling shall be released from the  
5 lien of the blanket mortgage. Until all of the individual  
6 dwellings in the property covered by the blanket mortgage  
7 have been sold, the mortgagor shall hold and operate the  
8 dwellings remaining unsold at any given time, in such  
9 manner and under such terms as the Secretary may prescribe,  
10 as though they constituted rental units.

11 “(E) Upon the sale under this paragraph of all the  
12 individual dwellings in the property covered by the blanket  
13 mortgage and the release of all individual dwellings from  
14 the lien of the blanket mortgage, the insurance of the blanket  
15 mortgage shall be terminated and no adjusted premium  
16 charge shall be charged by the Secretary upon such  
17 termination.

18 “(5) Where the Secretary has approved a plan of  
19 family unit ownership, the terms ‘single-family dwelling’,  
20 ‘single-family dwellings’, ‘individual dwelling’, and ‘individ-  
21 ual dwellings’ shall mean a family unit or family units,  
22 together with the undivided interest (or interests) in the  
23 common areas and facilities.

24 “(6) In addition to the assistance payments authorized  
25 under subsection (b), the Secretary may make such pay-



1   ments to a mortgagee on behalf of a nonprofit organization  
2   or public body or agency which is a mortgagor under the  
3   provisions of paragraph (1) in an amount not exceeding  
4   the difference between the monthly payment for principal,  
5   interest, and mortgage insurance premium which the mort-  
6   gagor is obligated to pay under the mortgage and the  
7   monthly payment for principal and interest such mortgagor  
8   would be obligated to pay if the mortgage were to bear  
9   interest at the rate of 1 per centum per annum.

10       “(k) In determining the income of any person for the  
11   purposes of this section, there shall be deducted an amount  
12   equal to \$300 for each minor person who is a member of  
13   the immediate family of such person and living with such  
14   family, and the earnings of any such minor person shall  
15   not be included in the income of such person or his family.”

16       (b) (1) Section 221 (d) (2) (A) of the National Hous-  
17   ing Act is amended by—

18           (A) striking out “not to exceed (i) \$12,500”  
19       and inserting in lieu thereof “not to exceed (i)  
20       \$15,000 (or \$17,500, in the case of a family with five or  
21       more persons)”; and

22           (B) striking out “not to exceed \$15,000” in the  
23       second proviso and inserting in lieu thereof “not to  
24       exceed \$17,500 (or \$20,000 in the case of a family  
25       with five or more persons)”.

1       (2) Section 221 (d) (2) (B) of such Act is amended  
2 by—

3           (A) inserting “, in cash or its equivalent” before  
4 the semicolon after the words “acquisition cost” in the  
5 first proviso; and

6           (B) inserting before the semicolon at the end  
7 thereof the following: “: *Provided further*, That, if the  
8 mortgagor is the owner and an occupant of the property,  
9 such mortgagor shall to the maximum extent feasible  
10 be given the opportunity to contribute the value of his  
11 labor as equity in such dwelling”.

12       (c) The purchase of any individual dwelling, sold by  
13 a nonprofit organization pursuant to the provisions of section  
14 221 (h) (5) of the National Housing Act after the effective  
15 date of this section, may be financed with a mortgage in-  
16 sured under the provisions of section 235 (j) (4) of such  
17 Act, but such mortgage shall bear interest at the rate pro-  
18 vided in section 235 (j) (2) (c) of such Act.

19       (d) Section 212 (a) of the National Housing Act is  
20 amended by inserting “or section 235 (j) (1)” after “sub-  
21 section (h) (1)” each place it appears.

22       (e) The Secretary of Housing and Urban Develop-  
23 ment is authorized to provide, or contract with public or  
24 private organizations to provide, such budget, debt manage-



1 ment, and related counseling services to mortgagors whose  
2 mortgages are insured under section 235 (i) or 235 (j)  
3 (4) of the National Housing Act as he determines to be  
4 necessary to assist such mortgagors in meeting the respon-  
5 sibilities of homeownership. There are authorized to be  
6 appropriated such sums as may be necessary to carry out  
7 the provisions of this subsection.

8 CREDIT ASSISTANCE

9 SEC. 102. (a) Title II of the National Housing Act  
10 is amended by adding after section 236 (as added by sec-  
11 tion 201 of this Act) the following new section:

12 "SPECIAL MORTGAGE INSURANCE ASSISTANCE

13 "SEC. 237. (a) The purpose of this section is to help  
14 provide adequate housing for families of low and moderate  
15 income, including those who, for reasons of credit history,  
16 irregular income patterns caused by seasonal employment,  
17 or other factors, are unable to meet the credit requirements  
18 of the Secretary for the purchase of a single-family home  
19 financed by a mortgage insured under section 203, 220,  
20 221, 234, or 235 (j) (4), but who, through the incentive  
21 of homeownership and counseling assistance, appear to be  
22 able to achieve homeownership.

23 "(b) The Secretary is authorized upon application by  
24 the mortgagee to insure under this section any mortgage  
25 meeting the requirements of this section.

1       “(c) To be eligible for insurance under this section, a  
2 mortgage shall—

3           “(1) meet the requirements of section 203 (except  
4 subsection (m)), 220 (d) (3) (A), 221 (d) (2), 221  
5 (h) (5), 221 (i), 234 (c), or 235 (j) (4), except as  
6 such requirements are modified by this section;

7           “(2) involve a principal obligation (including such  
8 initial service charges, appraisal, inspection, and other  
9 fees as the Secretary shall approve) in an amount not to  
10 exceed \$15,000: *Provided*, That the Secretary may in-  
11 crease the amount to not exceed \$17,500 in any geo-  
12 graphical area where he finds that cost levels so require:  
13 *Provided further*, That no mortgage meeting the re-  
14 quirements of section 203 (h) or 203 (i) shall be eligible  
15 for insurance under this section if its principal obligation  
16 is in excess of the maximum limits prescribed in such  
17 subsections;

18           “(3) be executed by a mortgagor who the Secre-  
19 tary has determined, after a full and complete study of  
20 the case, would not be an acceptable credit risk for mort-  
21 gage insurance purposes under section 203, 220, 221,  
22 234, or 235 (j) (4), because of his credit standing, debt  
23 obligations, total annual income, or income characteris-  
24 tics, but who the Secretary is satisfied would be a reason-  
25 ably satisfactory credit risk, consistent with the objec-



1       tives stated in subsection (a), if he were to receive  
2       budget, debt management, and related counseling: *Pro-*  
3       *vided*, That, in determining whether the mortgagor is a  
4       reasonably satisfactory credit risk, the Secretary shall  
5       review credit histories of applicants giving special con-  
6       sideration to those delinquent accounts which were ulti-  
7       mately paid by the applicant and to extenuating factors  
8       which may have caused credit accounts of the applicant  
9       to become delinquent; and the Secretary shall also give  
10      special consideration to income characteristics of appli-  
11      cants whose total income over the two years prior to  
12      their applications has remained at levels of eligibility  
13      (as required under paragraph (4) of this subsection),  
14      but who, because of the character of their seasonal em-  
15      ployment or for other reasons, have not maintained con-  
16      tinuous employment under one employer during that  
17      time; and

18           “(4) require monthly payments which, in combi-  
19      nation with local real estate taxes, do not exceed 25 per  
20      centum of the applicant’s income, based on his aver-  
21      age monthly income during the year prior to his applica-  
22      tion or the average monthly income during the three  
23      years prior to his application, whichever is higher.

24      “(d) The Secretary shall give preference in approving

1 mortgage insurance applications under this section to families  
2 living in public housing units, especially those families re-  
3 quired to leave public housing because their incomes have  
4 risen beyond the maximum prescribed income limits, and  
5 families eligible for residence in public housing who have  
6 been displaced from federally assisted urban renewal areas.

7 “(e) The Secretary is authorized to provide, or contract  
8 with public or private organizations to provide, such budget,  
9 debt management, and related counseling services to mort-  
10 gagers whose mortgages are insured under this section, as he  
11 determines to be necessary to meet the objectives of this sec-  
12 tion. The Secretary may also provide such counseling to  
13 otherwise eligible families who lack sufficient funds to supply  
14 a downpayment to help them to save an amount necessary  
15 for that purpose.

16 “(f) The aggregate principal balance of all mortgages  
17 insured under this section and outstanding at one time shall  
18 not exceed \$200,000,000.

19 “(g) There are authorized to be appropriated such sums  
20 as may be necessary to carry out the provisions of subsec-  
21 tion (e) of this section.”

22 (b) Section 226 of the National Housing Act is amended  
23 by inserting “235 (i), 237,” after “234,”.



1 RELAXATION OF MORTGAGE INSURANCE REQUIREMENTS  
2 IN CERTAIN URBAN NEIGHBORHOODS

3 SEC. 103. (a) Section 223 of the National Housing Act  
4 is amended by adding at the end thereof a new subsection as  
5 follows:

6 “(e) Notwithstanding any provision of this title except  
7 section 212, and without regard to limitations upon eligibility  
8 contained in any section of this title, the Secretary is author-  
9 ized, upon application by the mortgagee, to insure under  
10 any section of this title a mortgage executed in connection  
11 with the repair, rehabilitation, construction, or purchase of  
12 property located in an older, declining urban area in which  
13 the conditions are such that one or more of the eligibility  
14 requirements applicable to the section of this title under  
15 which insurance is sought could not be met, if the Secretary  
16 finds that (1) the area is reasonably viable, giving consid-  
17 eration to the need for providing adequate housing for fam-  
18 ilies of low and moderate income in such area, and (2) the  
19 property is an acceptable risk in view of such consideration.  
20 The insurance of a mortgage pursuant to this subsection shall  
21 be the obligation of the Special Risk Insurance Fund.”

22 (b) Section 203 (1) of such Act is repealed.

## 1 SPECIAL RISK INSURANCE FUND

2 SEC. 104. (a) Title II of the National Housing Act is  
3 amended by adding after section 237 (as added by section  
4 102 of this Act) the following new section:

5 "PAYMENT OF INSURANCE—SPECIAL RISK INSURANCE  
6 FUND

7 "SEC. 238. (a) (1) Any mortgagee under a mortgage  
8 insured under section 235 (i), 235 (j) (4), or 237 of this title  
9 shall be entitled to receive the benefits of the insurance as  
10 provided in section 204 (a) with respect to mortgages insured  
11 under section 203. The provisions of subsections (b), (c),  
12 (d), (g), (j), and (k) of section 204 shall be applicable to  
13 mortgages insured under section 235 (i), 235 (j) (4), or  
14 237, except that all references therein to the 'Mutual Mort-  
15 gage Insurance Fund' shall be construed to refer to the  
16 'Special Risk Insurance Fund', and all references therein to  
17 section 203 shall be construed to refer to the appropriate  
18 section.

19 "(2) Any mortgagee under a mortgage insured under  
20 section 235 (j) (1) or 236 shall be entitled to receive the  
21 benefits of insurance provided in section 207 (g) with  
22 respect to mortgages insured under section 207. The pro-



visions of subsections (d), (e), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to mortgages insured under section 235(j) (1) or 236, except that all references therein to the 'General Insurance Fund' shall be construed to refer to the 'Special Risk Insurance Fund' and the premium charge provided in section 207(d) shall be payable only in cash or debentures of the Special Risk Insurance Fund.

“(3) In lieu of the amount of insurance benefits computed pursuant to paragraph (1) or (2) of this subsection, the Secretary, in his discretion and in accordance with such regulations as he may prescribe, may (with respect to any mortgage loan acquired by him) compute and pay insurance benefits to the mortgagee in a total amount equal to the unpaid principal balance of the loan plus any accrued interest and any advances approved by the Secretary and made previously by the mortgagee under the provisions of the mortgage.

“(b) There is hereby created a Special Risk Insurance Fund (hereinafter referred to as the 'fund') which shall be used by the Secretary as a revolving fund for carrying out the mortgage insurance obligations of sections 223(e), 233(a) (2), 235, 236, and 237, and the Secretary is hereby authorized to advance to such fund the sum of \$5,000,000 from the General Insurance Fund established pursuant to the

1 provisions of section 519. Such advance shall be repayable at  
2 such times and at such rates of interest as the Secretary deems  
3 appropriate. Premium charges, adjusted premium charges,  
4 inspection and other fees, service charges, and any other  
5 income received by the Secretary under such sections, to-  
6 gether with all earnings on the assets of the fund, shall be  
7 credited to the fund. All payments made pursuant to claims  
8 of mortgagees with respect to mortgages insured under sec-  
9 tions 235, 236, and 237 or pursuant to section 223 (e) or  
10 233 (a) (2), cash adjustments, the principal of and interest  
11 paid on debentures which are the obligation of the fund,  
12 expenses incurred in connection with or as a consequence  
13 of the acquisition and disposal of property acquired under  
14 such sections, and all administrative expenses in connec-  
15 tion with the mortgage insurance operations under such  
16 sections shall be paid out of the fund. There is authorized  
17 to be appropriated such sums as may be needed from  
18 time to time to cover losses sustained by the fund in  
19 carrying out the mortgage insurance obligations of sections  
20 223 (e), 233 (a) (2), 235, 236, and 237. Moneys in the  
21 fund not needed for current operations of the fund shall be  
22 deposited with the Treasurer of the United States to the  
23 credit of the fund or invested in bonds or other obligations  
24 of, or in bonds or other obligations guaranteed by, the United  
25 States. The Secretary, with the approval of the Secretary of



1 the Treasury, may purchase in the open market debentures  
2 which are the obligation of the fund. Such purchases shall be  
3 made at a price which will provide an investment yield of  
4 not less than the yield obtained from other investments au-  
5 thorized by this section. Debentures so purchased shall be  
6 canceled and not reissued."

7 (b) Section 224 of the National Housing Act is amended  
8 by striking out "or section 233" and inserting in lieu thereof  
9 "section 233, or section 238".

10 CONDOMINIUM AND COOPERATIVE OWNERSHIP FOR LOW  
11 AND MODERATE INCOME FAMILIES

12 SEC. 105. (a) Section 221 of the National Housing  
13 Act is amended by adding at the end thereof two new sub-  
14 sections as follows:

15 " (i) (1) The Secretary is authorized, with respect to  
16 any project involving a mortgage insured under subsection  
17 (d) (3) which bears interest at the below-market interest  
18 rate prescribed in the proviso of subsection (d) (5), to per-  
19 mit a conversion of the ownership of such project to a plan  
20 of family unit ownership. Under such plan, each family  
21 unit shall be eligible for individual ownership and provision  
22 shall be included for the sale of the family units, together  
23 with an undivided interest in the common areas and facilities  
24 which serve the project, to low or moderate income pur-  
25 chasers. The Secretary shall obtain such agreements as he

1 determines to be necessary to assure continued maintenance  
2 of the common areas and facilities. Upon such sale, the family  
3 unit and the undivided interest in the common areas shall  
4 be released from the lien of the project mortgage.

5 “(2) (A) The Secretary is authorized, upon applica-  
6 tion by the mortgagee, to insure under this subsection mort-  
7 gages financing the purchase of individual family units under  
8 the plan prescribed in paragraph (1). Commitments may be  
9 issued by the Secretary for the insurance of such mortgages  
10 prior to the date of their execution or disbursement thereon,  
11 upon such terms and conditions as the Secretary may pre-  
12 scribe. To be eligible for such insurance, the mortgage  
13 shall—

14 “(i) be executed by a mortgagor having an income  
15 within the limits prescribed by the Secretary for occu-  
16 pants of projects financed with a mortgage insured un-  
17 der subsection (d) (3) which bears interest at the  
18 below-market rate prescribed in the proviso of subsec-  
19 tion (d) (5) ;

20 “(ii) involve a principal obligation (including such  
21 initial service charges, appraisal, inspection, and other  
22 fees as the Secretary shall approve) in an amount not to  
23 exceed the Secretary's estimate of the appraised value  
24 of the family unit, including the mortgagor's interest in



1       the common areas and facilities, as of the date the mort-  
2       gage is accepted for insurance;

3           “(iii) bear interest at a rate determined by the  
4       Secretary (which may vary in accordance with the  
5       regulations of the Secretary promulgated pursuant to  
6       the last sentence of paragraph (4) of this subsection)  
7       but no less than the below-market rate in effect under  
8       the proviso of subsection (d) (5) at the date of com-  
9       mitment for insurance; and

10           “(iv) provide for complete amortization by periodic  
11       payments within such term as the Secretary may pre-  
12       scribe, but not to exceed the lesser of forty years or  
13       three-quarters of the Secretary’s estimate of the re-  
14       maining economic life of the building improvements.

15       “(B) The price for which the individual family unit  
16       is sold to the low or moderate income purchaser shall not  
17       exceed the appraised value of the property, as determined  
18       under subparagraph (A) (ii), except that the purchaser  
19       shall be required to pay on account of the property at the  
20       time of purchase at least such amount, in cash or its equiva-  
21       lent (not less than 3 per centum of such price which may  
22       be applied in whole or in part toward closing costs), as the  
23       Secretary may determine to be reasonable and appropriate.

24       “(3) Upon the sale of all of the family units covered  
25       by the project mortgage, and the release of all of the family

1 units (including the undivided interest allocable to each unit  
2 in the common areas and facilities) from the lien of the proj-  
3 ect mortgage, the insurance of the project mortgage shall be  
4 terminated and no adjusted premium charge shall be collected  
5 by the Secretary upon such termination.

6 “(4) Any mortgage covering an individual family unit  
7 insured under this subsection shall contain a provision that,  
8 if the original mortgagor does not continue to occupy the  
9 property, the interest rate shall increase to the highest rate  
10 permissible under this section and the regulations of the  
11 Secretary effective at the time the commitment was issued  
12 for the insurance of the project mortgage; except that the  
13 requirement for an increase in interest rate shall not be appli-  
14 cable if the property is sold and the purchaser is (i) a non-  
15 profit purchaser approved by the Secretary, or (ii) a low  
16 or moderate income purchaser who has an income within  
17 the limits prescribed by the Secretary for occupants of proj-  
18 ects financed with a mortgage insured under subsection  
19 (d) (3) which bears interest at the below-market rate pre-  
20 scribed in the proviso of subsection (d) (5). The mortgage  
21 shall also contain a provision that, if the Secretary determines  
22 the annual income of the original mortgagor (or a purchaser  
23 as described in clause (ii) of this paragraph) has increased  
24 to an amount enabling payment of a greater rate of interest,  
25 the interest rate of the individual mortgage may be increased



1 up to the highest rate permissible under the regulations of  
2 the Secretary for mortgages insured under this section effective at the time the commitment was issued for the insurance  
3 of the mortgage.  
4

5 “(5) For the purpose of this subsection, the term—

6 “(i) ‘mortgage’, when used in relation to a mortgage insured under paragraph (2) of this subsection,  
7 includes a first mortgage given to secure the unpaid  
8 purchase price of a fee interest in, or a long-term leasehold interest in, a one-family unit in a multifamily project and an undivided interest in the common areas and  
9 facilities which serve the project; and  
10  
11  
12

13 “(ii) ‘common areas and facilities’ includes the land and such commercial, community, and other facilities as are approved by the Secretary.  
14  
15

16 “(j) (1) The Secretary is authorized, with respect to  
17 any rental project involving a mortgage insured under subsection (d) (3), which bears interest at the below-market  
18 interest rate prescribed in the proviso of subsection (d)  
19 (5), to permit a conversion of the ownership of such project to a cooperative approved by the Secretary. Membership in such cooperative shall be made available only to  
20  
21 those families having an income within the limits prescribed  
22 by the Secretary for occupants of projects financed with a  
23 mortgage insured under subsection (d) (3) which bears  
24  
25

1 interest at such below-market rate: *Provided*, That families  
2 residing in the rental project at the time of its conversion  
3 to a cooperative who do not meet such income limits may  
4 be permitted to become members in the cooperative under  
5 such special terms and conditions as the Secretary may  
6 prescribe.

7 “(2) The Secretary is authorized, upon application by  
8 the mortgagee, to insure under this subsection cooperative  
9 mortgages financing the purchase of projects meeting the  
10 requirements of paragraph (1). Commitments may be issued  
11 by the Secretary for the insurance of such mortgages prior  
12 to the date of their execution or disbursement thereon, upon  
13 such terms and conditions as the Secretary may prescribe. To  
14 be eligible for such insurance, the mortgage shall—

15 “(i) involve a principal obligation (including such  
16 initial service charges, appraisal, inspection, and other  
17 fees as the Secretary shall approve) in an amount  
18 not exceeding the appraised value of the property for  
19 continued use as a cooperative, which value shall be  
20 based upon a mortgage amount on which the debt service  
21 can be met from the income of the property when op-  
22 erated on a nonprofit basis, after the payment of all oper-  
23 ating expenses, taxes, and required reserves;

24 “(ii) bear interest at the below-market rate pre-  
25 scribed in the proviso of subsection (d) (5); and



1           “(iii) provide for complete amortization within  
2           such terms as the Secretary may prescribe.”

(b) Section 221 (g) (1) of such Act is amended by striking out “or paragraph (5) of subsection (h) of this section” and inserting in lieu thereof “paragraph (5) of subsection (h) of this section or paragraph (2) of subsection (i) of this section”.

8 (c) Section 221(g)(2) of such Act is amended by  
9 striking out “paragraph (1) of subsection (h)” and insert-  
10 ing in lieu thereof “paragraph (1) of subsection (h) or  
11 paragraph (2) of subsection (j) of this section,”.

12 ASSISTANCE TO NONPROFIT SPONSORS OF LOW AND  
13 MODERATE HOUSING

14        SEC. 106. (a) The Secretary of Housing and Urban  
15        Development is authorized to provide, or contract with pub-  
16        lic or private organizations to provide, information, advice,  
17        and technical assistance with respect to the construction, re-  
18        habilitation, and operation by nonprofit organizations of  
19        housing for low and moderate income families. Assistance by  
20        the Secretary may include—

(1) the assembly, correlation, publication, and dissemination of information with respect to the construction, rehabilitation, and operation of low and moderate income housing, and

(2) providing advice and technical assistance with respect to the construction, rehabilitation, and operation of low and moderate income housing.

(b) (1) The Secretary is authorized to make loans to nonprofit organizations for the necessary expenses, prior to construction, in planning, and obtaining financing for, the rehabilitation or construction of housing for low and moderate income families under any federally assisted program. Such loans shall be made without interest and shall not exceed 80 per centum of the reasonable costs expected to be incurred in planning, and in obtaining financing for, such housing prior to the availability of financing, including, but not limited to, preliminary surveys and analyses of market needs, preliminary site engineering and architectural fees, site acquisition, application and mortgage commitment fees, and construction loan fees and discounts. The Secretary shall require repayment of loans made under this subsection, under such terms and conditions as he may require, upon completion of the project or sooner, and may cancel any part or all of a loan as he may determine cannot be recovered from the proceeds of any permanent loan made to finance the rehabilitation or construction of the housing.

(2) The Secretary shall determine prior to the making



1 of any loan that the nonprofit organization meets such re-  
2 quirements with respect to financial responsibility and stabil-  
3 ity as he may prescribe.

4 (3) There are authorized to be appropriated for the pur-  
5 poses of this subsection not to exceed \$7,500,000 for the  
6 fiscal year ending June 30, 1969, and not to exceed \$10,-  
7 000,000 for the fiscal year ending June 30, 1970. Any  
8 amounts so appropriated shall remain available until ex-  
9 pended, and any amounts authorized for any fiscal year under  
10 this paragraph but not appropriated may be appropriated  
11 for any succeeding fiscal year.

12 (4) Funds appropriated for the purposes of this subsec-  
13 tion shall be deposited in a fund which shall be known as the  
14 Low and Moderate Income Sponsor Fund, which shall be  
15 available without fiscal year limitation and be administered  
16 by the Secretary as a revolving fund for carrying out the  
17 purposes of this subsection. Sums received in repayment of  
18 loans made under this subsection shall be deposited in such  
19 fund.

20 INSURANCE PROTECTION FOR HOMEOWNERS

21 SEC. 107. (a) The Secretary of Housing and Urban  
22 Development is authorized, in cooperation with the private  
23 insurance industry, to develop a plan for the establishment  
24 at the earliest practicable date of an insurance program to  
25 help homeowners in meeting mortgage payments in times

1 of personal economic adversity. Such insurance program shall  
2 be designed to protect mortgagors against foreclosure due to  
3 curtailment of income resulting from factors beyond their  
4 effective control, including such factors as death, disability,  
5 illness, and unemployment. Such insurance program shall also  
6 be designed to be actuarially sound through the use of premi-  
7 ums, fees, extended or increased payment schedules, or other  
8 similar methods, in conjunction with such Federal participa-  
9 tion as may be necessary.

10 (b) Within six months following the date of enactment  
11 of this Act, the Secretary shall report to the Congress on his  
12 actions under this section, and shall recommend to the Con-  
13 gress such legislation as he deems appropriate to authorize  
14 him to enter into agreements with any insurance company,  
15 or any corporation or joint enterprise formed to provide home  
16 mortgage insurance protection, for the purpose of reinsuring  
17 insurance reserve funds, subsidizing premium payments on  
18 behalf of lower income mortgagors, or otherwise making pos-  
19 sible the insurance protection of homeowners in accordance  
20 with subsection (a). In preparing such recommendations the  
21 Secretary shall consult with other agencies or instrumental-  
22 ties of the United States which insure or guarantee home  
23 mortgages in order that such legislation as may be recom-  
24 mended affords equal benefits to mortgagors participating in  
25 their programs.



1 NATIONAL ADVISORY COMMISSION ON LOW INCOME  
2 HOUSING

3 SEC. 108. (a) (1) There is hereby established the Na-  
4 tional Advisory Commission on Low Income Housing  
5 (hereinafter referred to as the "Commission"). The Com-  
6 mission shall be composed of twenty-one members as follows:

7 (A) Four members appointed by the President of  
8 the Senate, two from the majority party and two from  
9 the minority party;

10 (B) Four members appointed by the Speaker of  
11 the House of Representatives, two from the majority  
12 party and two from the minority party; and

(C) Thirteen members appointed by the President, not more than three of whom shall be from the Federal Government, and of whom four shall be representative of persons eligible for lower income housing. Appointment shall be made by the President, whenever practicable, after consultation with the ranking majority and minority members of the Housing Subcommittees of the Committees on Banking and Currency of the Senate and House of Representatives.

(2) Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner in which the original appointment was made.

1       (3) Eleven members of the Commission shall constitute  
2 a quorum, but a lesser number may conduct hearings.

3       (4) The members of the Commission shall elect a  
4 Chairman and a Vice Chairman from the membership of  
5 the Commission.

6       (b) (1) The Commission shall undertake a compre-  
7 hensive study and investigation, to further the policy set  
8 forth in section 2 of this Act, of practicable and effective  
9 ways of bringing decent, safe, and sanitary housing within  
10 the reach of low income families. Such study shall evaluate  
11 existing housing programs designed to assist such families,  
12 and explore new ways by which public and private resources  
13 may be more effectively utilized in meeting the housing needs  
14 of such families. In the carrying out of such study, the Com-  
15 mission may, where necessary or desirable, utilize the serv-  
16 ices of private research organizations, and shall, insofar as is  
17 practicable, seek to coordinate its investigation with studies  
18 undertaken, or being undertaken, by the Banking and  
19 Currency Committees of the Senate and House of  
20 Representatives.

21       (2) The Commission shall be organized and begin its  
22 functions at the earliest possible date, and shall submit to the  
23 President and to the Congress an interim report with respect  
24 to its findings and recommendations not later than July 1,



1 1969. A final report of its findings and recommendations  
2 shall be submitted to the President and the Congress not  
3 later than July 1, 1970.

4 (c) (1) The Commission or, on the authorization of the  
5 Commission, any subcommittee or members thereof, may,  
6 for the purpose of carrying out the provisions of this section,  
7 hold such hearings, take such testimony, and sit and act at  
8 such times and places as the Commission deems advisable.  
9 Any member authorized by the Commission may administer  
10 oaths or affirmations to witnesses appearing before the Com-  
11 mission or any subcommittee or members thereof.

12 (2) Each department, agency, and instrumentality of  
13 the executive branch of the Government is authorized and  
14 directed to furnish to the Commission, upon request made  
15 by the Chairman or Vice Chairman, such information as  
16 the Commission deems necessary to carry out its functions  
17 under this section.

18 (3) Subject to such rules and regulations as may be  
19 adopted by the Commission, the Chairman, without regard  
20 to the provisions of title 5, United States Code, governing  
21 appointments in the competitive service, and without regard  
22 to the provisions of chapter 51 and subchapter III of chapter  
23 53 of such title relating to classification and General Sched-  
24 ule pay rates, shall have the power—

1           (1) to appoint and fix the compensation of such  
2       staff personnel as he deems necessary, and

3           (2) to procure temporary and intermittent serv-  
4       ices to the same extent as is authorized by section 3109  
5       of title 5, United States Code, but at rates not to exceed  
6       \$50 a day for individuals.

7       (d) (1) Any member of the Commission who is ap-  
8       pointed from the executive or legislative branch of the Gov-  
9       ernment shall serve without compensation in addition to  
10      that received in his regular employment, but shall be en-  
11      titled to reimbursement for travel, subsistence, and other  
12      necessary expenses incurred by him in the performance of  
13      duties vested in the Commission.

14      (2) Members of the Commission, other than those re-  
15      ferred to in paragraph (1), shall receive compensation at  
16      the rate of \$75 per day for each day they are engaged in the  
17      performance of their duties as members of the Commission  
18      and shall be entitled to reimbursement for travel, subsistence,  
19      and other necessary expenses incurred by them in the per-  
20      formance of their duties as members of the Commission.

21      (e) There are authorized to be appropriated, out of any  
22      money in the Treasury not otherwise appropriated, such  
23      sums as may be necessary to carry out this section.



1           (f) The Commission shall cease to exist thirty days  
2 after the submission of its final report.

3           NATIONAL HOMEOWNERSHIP FOUNDATION

4           SEC. 109. (a) (1) There is hereby created a body cor-  
5 porate to be known as the "National Homeownership Foun-  
6 dation" (hereinafter referred to as the "Foundation") to  
7 carry out a continuing program of encouraging private and  
8 public organizations at the national, community, and neigh-  
9 borhood levels to provide increased homeownership and  
10 housing opportunities in urban and rural areas for lower  
11 income families through such means as—

12           (A) encouraging the investment in, and sponsoring  
13 of, housing for lower income families;

14           (B) encouraging the establishment of programs of  
15 assistance and counseling to lower income families to  
16 enable them better to achieve and afford adequate  
17 housing;

18           (C) providing a broad range of technical assistance  
19 through publications and advisory services to public and  
20 private organizations which are carrying out, or are  
21 desirous of carrying out, programs to expand homeown-  
22 ership and housing opportunities for lower income fam-  
23 ilies; and

24           (D) providing grants and loans to public and pri-  
25 vate organizations carrying out homeownership and

1       housing opportunity programs for lower income families  
2       to help cover some of the expenses of such programs.

3       (2) The Foundation shall be deemed to be a corpora-  
4       tion without members organized and established under the  
5       provisions of the District of Columbia Nonprofit Corpora-  
6       tion Act, with all the rights, powers, and responsibilities  
7       thereof except as limited by this section and any amend-  
8       ments thereto. This section shall constitute the articles of  
9       incorporation and charter of the Foundation, which shall  
10      not be an agency or instrumentality of the United States  
11      Government. The Congress expressly reserves the exclusive  
12      right to alter or amend this charter. The Foundation shall  
13      have succession until dissolved by Act of Congress. The  
14      Foundation shall maintain its principal office in the District  
15      of Columbia.

16      (3) No part of the net earnings of the Foundation  
17      shall inure to the benefit of any private person, and no sub-  
18      stantial part of its activities shall be devoted to attempting  
19      to influence legislation. The Foundation shall not participate  
20      or intervene in any political campaign on behalf of any  
21      candidate for public office. The Foundation shall be oper-  
22      ated and administered at all times as a charitable and edu-  
23      cational foundation.

24      (4) No employee or officer of the Foundation shall



1 receive compensation in excess of that received by or here-  
2 after prescribed by law for heads of executive departments.

3 (5) The Foundation shall make maximum use of exist-  
4 ing public and private agencies and programs, and in carry-  
5 ing out its functions the Foundation is authorized to con-  
6 tract with individuals, private corporations, organizations,  
7 or associations, and with agencies of the Federal, State, and  
8 local governments.

9 (6) The Foundation is authorized to receive donations  
10 and grants from individuals and from public and private  
11 organizations, foundations, and agencies.

12 (7) The Foundation may use only donated funds, or  
13 funds derived from payment of interest on loans made by it,  
14 for the principal and interest payments on any borrowings.

15 (b) (1) The Foundation shall have a Board of Direc-  
16 tors consisting of eighteen members, fifteen of whom shall  
17 be appointed by the President of the United States, with  
18 the advice and consent of the Senate. The other three mem-  
19 bers shall be, ex officio, the Secretary of Housing and Urban  
20 Development, the Secretary of Agriculture, and the Director  
21 of the Office of Economic Opportunity. The President shall  
22 appoint one of the fifteen appointed members to serve as  
23 Chairman of the Board for a term of three years.

24 (2) Within thirty days after the date of enactment of  
25 this Act, the President shall appoint the remaining fifteen

1 members of the Board. Not more than five of such members  
2 shall, at the time of their appointments, be serving full time  
3 as officers or employees of the Federal Government, or as  
4 officers or employees of any State or local government.  
5 Each appointed member of the Board shall hold office for  
6 a term of three years, except that (A) any member ap-  
7 pointed to fill a vacancy prior to the expiration of the term  
8 for which his predecessor was appointed shall be appointed  
9 for the remainder of such term, and (B) the terms of the  
10 members first taking office shall expire, as designated by  
11 the President at the time of appointment, five at the end of  
12 the first year, five at the end of the second year, and five  
13 at the end of the third year after the date of appointment.  
14 Members of the Board, however appointed, shall be eligible  
15 for reappointment, but at no time shall there be more than  
16 five members of the Board who at the time of their appoint-  
17 ment or reappointment were full-time officers or employees  
18 of the Federal Government or of any State or local govern-  
19 ment.

20 (3) Appointed members of the Board who are not  
21 employees of the Federal Government, while attending  
22 meetings or conferences of the Board or otherwise serving  
23 on business of the Board, shall be entitled to receive com-  
24 pensation at rates fixed by the President, but not exceeding  
25 \$100 per day, including travel time, and while so serving



1 away from their homes or regular places of business they  
2 may be allowed travel expenses, including per diem in lieu  
3 of subsistence, as authorized by section 5703 of title 5,  
4 United States Code, for persons in the Government service  
5 employed intermittently.

6 (4) The Board shall appoint an Executive Director  
7 of the Foundation. The Executive Director shall be the chief  
8 executive officer of the Foundation, shall serve at the pleas-  
9 ure of the Board, and all other executive officers and all  
10 employees shall be responsible to him. The Board shall  
11 also cause to be appointed a secretary, a treasurer, and  
12 such other officers as may be necessary to conduct prop-  
13 erly the business of the Foundation, and shall provide for  
14 filling vacancies in such offices.

15 (5) The Board shall adopt bylaws for the Foundation  
16 which shall be made available for public inspection upon  
17 request.

18 (c) (1) The Foundation shall assist public and private  
19 organizations, at their request, in initiating, developing,  
20 and conducting programs to expand homeownership and  
21 housing opportunities for lower income families. To provide  
22 such assistance and to carry out the purposes of this section,  
23 the Foundation is authorized to—

24 (A) carry out a continuing program of encourag-  
25 ing private and public organizations at the national,

1 community, and neighborhood levels in the establish-  
2 ment of such programs;

3 (B) assist in the formation of organizations the  
4 purpose of which is the development and carrying out  
5 of such programs, including the establishment of local  
6 development funds for financing housing for lower in-  
7 come families through the pooling of moneys from  
8 private sources;

9 (C) identify and arrange for the technical and  
10 managerial assistance and personnel needed for the suc-  
11 cessful operation of such programs by public and private  
12 organizations;

13 (D) assist public and private organizations in ob-  
14 taining the mortgage financing, insurance, and other  
15 requirements or aids necessary for conducting programs  
16 of housing construction, rehabilitation, or improvements  
17 for lower income families;

18 (E) arrange for, or provide on a limited basis,  
19 training for persons in the skills needed in administering  
20 programs of homeownership and housing opportunity  
21 for lower income families;

22 (F) encourage research and innovation, and collect  
23 and make available such information as may be desirable  
24 to further the purposes of this section, including but not  
25 limited to such activities as the sponsoring of seminars,



1 conferences, and meetings, and the establishment of a  
2 continuing information program to acquaint lower in-  
3 come families with the means they can use to improve  
4 the quality of their housing and the homeownership and  
5 housing opportunities available to them;

6 (G) assist private and public organizations in estab-  
7 lishing, in connection with their homeownership and  
8 housing opportunity programs for lower income families,  
9 counseling and similar activities designed to advise lower  
10 income families of the means available to better them-  
11 selves economically through job training and manpower  
12 development programs; and

13 (H) perform other similar services in order to fur-  
14 ther the purposes of this section.

15 (2) The Foundation may, if it deems it appropriate,  
16 charge a reasonable fee for any assistance or services pro-  
17 vided under this subsection.

18 (d) (1) In order to assist public and private organiza-  
19 tions which are carrying out homeownership and housing  
20 opportunity programs for lower income families to fill unmet  
21 needs, initiate exceptional programs, and experiment with  
22 new approaches and programs, the Foundation is author-  
23 ized, subject to such terms and conditions as it may prescribe,  
24 to make grants and loans to such organizations to help defray  
25 the following expenses:

1           (A) organizational and administrative expenses in-  
2       curred in commencing the operation of a program, or in  
3       expanding an existing program, to the extent that the  
4       activities are related to providing homeownership and  
5       housing opportunities for lower income families;

6           (B) necessary preconstruction costs incurred for  
7       architectural assistance, land options, application fees,  
8       and similar items; and

9           (C) the cost of carrying out programs providing  
10      counseling or similar services to lower income families  
11      for whom housing is being provided, in order to enable  
12      those families better to achieve and afford adequate hous-  
13      ing, in such matters as home management, budget man-  
14      agement, and home maintenance.

15       (2) In order to be eligible for a grant or loan under  
16      this subsection, the organization seeking such assistance shall  
17      demonstrate to the satisfaction of the Foundation that the  
18      funds requested are not otherwise available from Federal  
19      sources: *Provided*, That a grant or loan under this section  
20      may be provided to help cover that portion of the cost of  
21      an eligible activity not covered by Federal funds.

22       (3) The Foundation shall encourage cooperation be-  
23      tween public and private organizations carrying out programs  
24      of homeownership and housing opportunity for lower in-



1 come families and the neighborhoods and communities af-  
2 fected by such programs. To help assure such cooperation  
3 and in order to coordinate, to the maximum extent feasible,  
4 any construction or rehabilitation activities with the develop-  
5 ment goals of the neighborhood or community affected, no  
6 application for a loan or grant under this subsection shall be  
7 considered unless such application has been submitted to the  
8 governing body of the community affected, or to such other  
9 entity of local government as may be designated by the gov-  
10 erning body, for such recommendations as the local govern-  
11 ing body or its designee may desire to make. Any recom-  
12 mendations so made shall be given careful consideration by  
13 the Foundation before taking final action on any such appli-  
14 cation. If, upon the expiration of thirty days after any such  
15 application has been submitted to such governing body or  
16 its designee, such body or designee fails to provide such  
17 recommendations, the application may be considered without  
18 the benefit of such recommendations.

19 (e) The Foundation shall coordinate its activities and  
20 consult with the Department of Housing and Urban De-  
21 velopment and other Federal departments and agencies en-  
22 gaged in providing homeownership and housing opportu-  
23 nities for lower income families.

24 (f) (1) Not later than one hundred and twenty days  
25 after the close of each fiscal year, the Foundation shall prepare

1 and submit to the President and to the Congress a full report  
2 of its activities during such year. Such report shall include  
3 an account of the Foundation's experiences with the efforts  
4 of private and public organizations to expand homeowner-  
5 ship and housing opportunities for lower income families,  
6 together with such recommendations as it deems appropriate.

7 (2) Whenever in its judgment the general unavailability  
8 of mortgage funds is sufficiently serious to deter the Founda-  
9 tion from carrying out its objective of expanding homeown-  
10 ership and housing opportunities for lower income families,  
11 the Foundation shall, in its annual report or in a separate  
12 report to the President and the Congress, state its findings  
13 and make such recommendations for alternate means of  
14 financing housing for such families as it deems appropriate.

15 (g) (1) The financial transactions of the Foundation  
16 shall be audited by the General Accounting Office in accord-  
17 ance with the principles and procedures applicable to com-  
18 mercial corporate transactions and under such rules and regu-  
19 lations as may be prescribed by the Comptroller General  
20 of the United States. The representatives of the General  
21 Accounting Office shall have access to all books, accounts,  
22 financial records, reports, files, and all other papers, things,  
23 or property belonging to or in use by the Foundation and  
24 necessary to facilitate the audit, and they shall be afforded



1 full facilities for verifying transactions with the balances or  
2 securities held by depositories, fiscal agents, and custodians.  
3 The audit shall cover the fiscal year corresponding to that  
4 of the United States Government.

5 (2) A report of each such audit shall be made by the  
6 Comptroller General to the Congress not later than Janu-  
7 ary 15 following the close of the fiscal year for which the  
8 audit was made. The report shall set forth the scope of the  
9 audit and shall include a statement of assets and liabilities,  
10 capital and surplus or deficit; a statement of sources and  
11 application of funds; and such comments and information as  
12 may be deemed necessary to keep Congress informed of the  
13 operations and financial condition of the Foundation, to-  
14 gether with such recommendations with respect thereto as  
15 the Comptroller General may deem advisable. The report  
16 shall also show specifically any program, expenditure, or  
17 other financial transaction or undertaking observed in the  
18 course of the audit, which, in the opinion of the Comptroller  
19 General, has been carried on or made without authority of  
20 law. A copy of each report shall be furnished to the Presi-  
21 dent and to the Foundation at the time submitted to the  
22 Congress.

23 (h) Funds of the Foundation shall be deposited, to  
24 the extent practicable, in accounts with financial institu-  
25 tions which are actively engaged in making loans or are

1 otherwise carrying on activities in furtherance of home-  
2 ownership and housing opportunities for lower income  
3 families.

4 (i) There is authorized to be appropriated to the Foun-  
5 dation not to exceed \$10,000,000 to carry out the purposes  
6 of this section. Appropriations made hereunder shall remain  
7 available until expended.

8 NEW TECHNOLOGIES IN THE DEVELOPMENT OF HOUSING  
9 FOR LOWER INCOME FAMILIES

10 SEC. 110. (a) In order to encourage the use of new  
11 housing technologies in providing decent, safe, and sanitary  
12 housing for lower income families; to encourage large-scale  
13 experimentation in the use of such technologies; to provide  
14 a basis for comparison of such technologies with existing  
15 housing technologies in providing such housing; and to eval-  
16 uate the effect of local housing codes and zoning regulations  
17 on the large-scale use of new housing technologies in the  
18 provision of such housing, the Secretary of Housing and  
19 Urban Development (hereinafter referred to as the "Sec-  
20 retary") shall institute a program under which qualified or-  
21 ganizations, public and private, will submit plans for the  
22 development of housing for lower income families, using  
23 new and advanced technologies, on Federal land which has  
24 been made available by the Secretary for the purposes of  
25 this section, or on other land where (1) local building



1 regulations permit the construction of experimental housing,  
2 or (2) State or local law permits variances from building  
3 regulations in the construction of experimental housing for  
4 the purpose of testing and developing new building tech-  
5 nologies.

6 (b) The Secretary shall approve not more than five  
7 plans utilizing new housing technologies which are submitted  
8 to him pursuant to the program referred to in subsection (a)  
9 and which he determines are most promising in furtherance  
10 of the purposes of this section. In making such determination  
11 the Secretary shall consider—

12 (1) the potential of the technology employed for  
13 producing housing for lower income families on a large  
14 scale at a moderate cost;

15 (2) the extent to which the plan envisages en-  
16 vironmental quality;

17 (3) the possibility of mass production of the tech-  
18 nology; and

19 (4) the financial soundness of the organization  
20 submitting the plan, and the ability of such organization,  
21 alone or in combination with other organizations, to  
22 produce at least 1,000 dwelling units a year utilizing the  
23 technology proposed.

24 (c) In approving projects for mortgage insurance under  
25 section 233 (a) (2) of the National Housing Act, the Sec-

1   retary shall seek to achieve the construction of at least 1,000  
2   dwelling units a year over a five-year period for each of the  
3   various types of technologies proposed in approved plans  
4   under subsection (b). The Secretary shall evaluate each  
5   project with respect to which assistance is extended pursuant  
6   to this section with a view to determining (1) the detailed  
7   cost breakdown per dwelling unit, (2) the environmental  
8   quality achieved in each such unit, and (3) the effect which  
9   local housing codes and zoning regulations have, or would  
10   have if applicable, on the cost per dwelling unit.

11       (d) Notwithstanding the provisions of the Federal  
12   Property and Administrative Services Act of 1949, any  
13   land which is excess property within the meaning of such  
14   Act and which is determined by the Secretary to be suitable  
15   in furtherance of the purposes of this section may be trans-  
16   ferred to the Secretary upon his request.

17       (e) The Secretary shall, at the earliest practicable date,  
18   report his findings with respect to projects assisted pursuant  
19   to this section (including evaluations of each such project  
20   in accordance with subsection (c) ), together with such rec-  
21   ommendations for additional legislation as he determines  
22   to be necessary or desirable to expand the available supply  
23   of decent, safe, and sanitary housing for lower income fami-  
24   lies through the use of technologies the efficacy of which  
25   has been demonstrated under this section.



1       (f) Section 233 of the National Housing Act is  
2 amended—

3           (1) by inserting “(1)” after “SEC. 233. (a)” and  
4 by adding at the end of subsection (a) a new paragraph  
5 as follows:

6       “(2) The Secretary is further authorized to insure and  
7 to make commitments to insure, under this section, mort-  
8 gages (including advances on mortgages during construc-  
9 tion) secured by properties in projects to be carried out in  
10 accordance with plans approved by the Secretary under  
11 section 110 of the Housing and Urban Development Act of  
12 1968.”; and

13       (2) by inserting at the end of subsection (c) a  
14 new sentence as follows: “Any authority which the Sec-  
15 retary may exercise in connection with a mortgage, or  
16 property covered by a mortgage, insured under any  
17 other section of this title (including payments to reduce  
18 rentals for, or to facilitate home ownership by, lower  
19 income families) may be exercised in connection with a  
20 mortgage, or property covered by a mortgage, meeting  
21 the requirements of such other section (except as spec-  
22 ified in subsection (b)), which is insured under this  
23 section to the same extent and in the same manner as if  
24 the mortgage insured under this section was insured  
25 under such other section.”

1 TITLE II—RENTAL HOUSING FOR LOWER

2 INCOME FAMILIES

3 PART A—PRIVATE HOUSING

4 RENTAL AND COOPERATIVE HOUSING FOR LOWER

5 INCOME FAMILIES

6 SEC. 201. (a) Title II of the National Housing Act is  
7 amended by adding after section 235 (as added by section  
8 101 of this Act) the following new section:

9 “RENTAL AND COOPERATIVE HOUSING FOR LOWER

10 INCOME FAMILIES

11 “SEC. 236. (a) For the purpose of reducing rentals for  
12 lower income families, the Secretary is authorized to make,  
13 and to contract to make, periodic interest reduction pay-  
14 ments on behalf of the owner of a rental housing project  
15 designed for occupancy by lower income families, which  
16 shall be accomplished through payments to mortgagees hold-  
17 ing mortgages meeting the special requirements specified in  
18 this section.

19 “(b) Interest reduction payments with respect to a  
20 project shall only be made during such time as the project  
21 is operated as a rental housing project and is subject to a  
22 mortgage which meets the requirements of, and is insured  
23 under, subsection (j) of this section.

24 “(c) The interest reduction payments to a mortgagee  
25 by the Secretary on behalf of a project owner shall be in



1 an amount not exceeding the difference between the monthly  
2 payment for principal, interest, and mortgage insurance  
3 premium which the project owner as a mortgagor is obligated  
4 to pay under the mortgage and the monthly payment for  
5 principal and interest such project owner would be obligated  
6 to pay if the mortgage were to bear interest at the rate of  
7 1 per centum per annum.

8 “(d) The Secretary may include in the payment to the  
9 mortgagee such amount, in addition to the amount computed  
10 under subsection (c), as he deems appropriate to reimburse  
11 the mortgagee for its expenses in handling the mortgage.

12 “(e) As a condition for receiving the benefits of in-  
13 terest reduction payments, the project owner shall operate  
14 the project in accordance with such requirements with re-  
15 spect to tenant eligibility and rents as the Secretary may  
16 prescribe. Procedures shall be adopted by the Secretary  
17 for review of tenant incomes at intervals of two years (or at  
18 shorter intervals where the Secretary deems it desirable).

19 “(f) For each dwelling unit there shall be established  
20 with the approval of the Secretary (1) a basic rental charge  
21 determined on the basis of operating the project with pay-  
22 ments of principal and interest due under a mortgage bear-  
23 ing interest at the rate of 1 per centum per annum; and (2)  
24 a fair market rental charge determined on the basis of op-  
25 erating the project with payments of principal, interest, and

1 mortgage insurance premium which the mortgagor is obli-  
2 gated to pay under the mortgage covering the project. The  
3 rental for each dwelling unit shall be at the basic rental  
4 charge or such greater amount, not exceeding the fair mar-  
5 ket rental charge, as represents 25 per centum of the tenant's  
6 income.

7 “(g) The project owner shall, as required by the Sec-  
8 retary, accumulate, safeguard, and periodically pay to the  
9 Secretary all rental charges collected in excess of the basic  
10 rental charges. Such excess charges shall be deposited by  
11 the Secretary in a fund which may be used by him as a re-  
12 volving fund for the purpose of making interest reduction  
13 payments with respect to any rental housing project cov-  
14 ered by a mortgage insured under this section, subject to  
15 limits approved in appropriation Acts pursuant to subsection  
16 (i). Moneys in such fund not needed for current operations  
17 may be invested in bonds or other obligations of the United  
18 States or in bonds or other obligations guaranteed as to prin-  
19 cipal and interest by the United States.

20 “(h) In addition to establishing the requirements speci-  
21 fied in subsection (e), the Secretary is authorized to make  
22 such rules and regulations, to enter into such agreements,  
23 and to adopt such procedures as he may deem necessary or  
24 desirable to carry out the provisions of this section.

25 “(i) (1) There are authorized to be appropriated such



1 sums as may be necessary to carry out the provisions of this  
2 section, including such sums as may be necessary to make  
3 interest reduction payments under contracts entered into  
4 under this section. The aggregate amount of contracts to  
5 make such payments shall not exceed amounts approved in  
6 appropriation Acts, and payments pursuant to such contracts  
7 shall not exceed \$75,000,000 per annum prior to July 1,  
8 1969, which maximum dollar amount shall be increased by  
9 \$100,000,000 on July 1, 1969, and by \$125,000,000 on  
10 July 1, 1970.

11 “(2) Not more than 20 per centum of the total amount  
12 of interest reduction payments authorized to be contracted  
13 to be made pursuant to appropriation Acts shall be contracted  
14 to be made with respect to families, occupying rental housing  
15 projects insured under this section, whose incomes at the time  
16 of the initial renting of the projects are in excess of 70 per  
17 centum of the limits prescribed by the Secretary for occupants  
18 of projects financed with mortgages insured under section  
19 221 (d) (3) which bear interest at the below-market interest  
20 rate prescribed in the proviso of section 221 (d) (5) .

21 “(j) (1) The Secretary is authorized, upon application  
22 by the mortgagee, to insure a mortgage (including advances  
23 on such mortgage during construction) which meets the re-  
24 quirements of this subsection. Commitments for the insur-  
25 ance of such mortgages may be issued by the Secretary prior

1 to the date of their execution or disbursement thereon, upon  
2 such terms and conditions as he may prescribe.

3 “(2) As used in this subsection—

4 “(A) the terms ‘family’ and ‘families’ shall have  
5 the same meaning as in section 221;

6 “(B) the term ‘elderly or handicapped families’  
7 shall have the same meaning as in section 202 of the  
8 Housing Act of 1959; and

9 “(C) the terms ‘mortgage’, ‘mortgagee’, and ‘mort-  
10 gator’ shall have the same meaning as in section 201.

11 “(3) To be eligible for insurance under this subsection,  
12 a mortgage shall meet the requirements specified in subsec-  
13 tions (d) (1) and (d) (3) of section 221, except as such  
14 requirements are modified by this subsection. In the case of  
15 a project financed with a mortgage insured under this sub-  
16 section which involves a mortgagor other than a cooperative  
17 or a private nonprofit corporation or association and which  
18 is sold to a cooperative or a nonprofit corporation or associa-  
19 tion, the Secretary is further authorized to insure under this  
20 subsection a mortgage given by such purchaser in an amount  
21 not exceeding the appraised value of the property at the time  
22 of purchase, which value shall be based upon a mortgage  
23 amount on which the debt service can be met from the  
24 income of the property when operated on a nonprofit basis,



1 after payment of all operating expenses, taxes, and required  
2 reserves.

3 “(4) The mortgage to be insured under this subsection  
4 shall—

5 “(A) be executed by a private mortgagor eligible  
6 under subsection (d) (3) or (e) of section 221, or a  
7 private nonprofit corporation or other private nonprofit  
8 legal entity, a limited dividend corporation, or other  
9 limited dividend legal entity, or a cooperative housing  
10 corporation, which is the owner of a rental or cooperative  
11 housing project financed under a State or local program  
12 providing assistance through loans, loan insurance, or tax  
13 abatements, and which prior to completion of construc-  
14 tion or rehabilitation is approved for receiving the bene-  
15 fits of this section;

16 “(B) bear interest (exclusive of premium charges  
17 for insurance and service charges, if any) at not to ex-  
18 ceed such per centum per annum (not in excess of 6  
19 per centum), on the amount of the principal obligation  
20 outstanding at any time, as the Secretary finds necessary  
21 to meet the mortgage market; and

22 “(C) provide for complete amortization by periodic  
23 payments within such term as the Secretary may  
24 prescribe.

25 “(5) The property or project shall—

1           “(A) comply with such standards and conditions as  
2       the Secretary may prescribe to establish the acceptability  
3       of such property for mortgage insurance and may include  
4       such nondwelling facilities as the Secretary deems ade-  
5       quate and appropriate to serve the occupants and the  
6       surrounding neighborhood: *Provided*, That the project  
7       shall be predominantly residential and any nondwelling  
8       facility included in the mortgage shall be found by the  
9       Secretary to contribute to the economic feasibility of the  
10      project, and the Secretary shall give due consideration  
11      to the possible effect of the project on other business  
12      enterprises in the community: *Provided further*, That,  
13      in the case of a project designed primarily for occupancy  
14      by elderly or handicapped families, the project may in-  
15      clude related facilities for use by elderly or handicapped  
16      families, including cafeterias or dining halls, community  
17      rooms, workshops, infirmaries or other inpatient or out-  
18      patient health facilities, and other essential service  
19      facilities;

20           “(B) include five or more dwelling units; and

21           “(C) be designed primarily for use as a rental proj-  
22      ect to be occupied by lower income families or by  
23      elderly or handicapped families: *Provided*, That lower  
24      income persons who are less than sixty-two years of  
25      age shall be eligible for occupancy in such a project,



1 but not more than 10 per centum of the dwelling units  
2 in any such project shall be available for occupancy  
3 by such persons.

4 “(6) With the approval of the Secretary, the mortgagor  
5 may sell the individual dwelling units to lower income  
6 or elderly or handicapped purchasers. The Secretary  
7 may consent to the release of the mortgagor from his lia-  
8 bility under the mortgage or the credit instrument secured  
9 thereby, or consent to the release of parts of the mortgaged  
10 property from the lien of the mortgage, upon such terms and  
11 conditions as he may prescribe, and the mortgage may pro-  
12 vide for such release.

13 “(k) As used in this section the term ‘tenant’ includes  
14 a member of a cooperative, the term ‘rental housing proj-  
15 ect’ includes a cooperative housing project, and the terms  
16 ‘rental’ and ‘rental charge’ mean, with respect to members  
17 of a cooperative, the charges under the occupancy agree-  
18 ments between such members and the cooperative.

19 “(l) In determining the income of any person for the  
20 purposes of this section, there shall be deducted an amount  
21 equal to \$300 for each minor person who is a member of the  
22 immediate family of such person and living with such family,  
23 and the earnings of any such minor person shall not be  
24 included in the income of such person or his family.”

25 (b) (1) Section 212(a) of the National Housing Act

1 is amended by striking out “or 232” in the first sentence  
2 of the second paragraph and inserting in lieu thereof “, 232  
3 or 236”.

4 (2) Section 227 (a) of such Act is amended by striking  
5 out “or (viii) under section 234 (d)” and inserting in lieu  
6 thereof “(viii) under section 234 (d), or (ix) under section  
7 236”.

8 (3) Section 227 (c) of such Act is amended by striking  
9 out “or section 233 (b) (2)” each place it appears and in-  
10 serting in lieu thereof “section 233, or section 236”.

11 (c) The Secretary of Housing and Urban Develop-  
12 ment is authorized, upon such terms and conditions as he may  
13 prescribe, to transfer to section 236 (j) of the National  
14 Housing Act the insurance of a mortgage which has not  
15 been finally endorsed for insurance under section 221 (d) (3)  
16 of such Act and which has been approved for the below  
17 market interest rate prescribed in the proviso of section  
18 221 (d) (5) of such Act.

19 (d) The Secretary of Housing and Urban Develop-  
20 ment is authorized, upon such terms and conditions as he  
21 may prescribe, to insure under section 236 (j) of the Na-  
22 tional Housing Act a mortgage meeting the requirements of  
23 such section given to refinance a mortgage loan which was  
24 made under section 202 of the Housing Act of 1959: *Pro-*



1 *vided*, That the application for such insurance is filed with  
2 the Secretary on or before the date of project completion,  
3 or within such reasonable time thereafter as the Secretary  
4 may permit.

5 (e) (1) Section 101 (g) of the Housing and Urban  
6 Development Act of 1965 is amended by striking out “and  
7 231 (c) (3)” and inserting in lieu thereof “, 231 (c) (3),  
8 and 236”.

9 (2) Section 101 (j) (1) of such Act is amended by—

10 (A) striking out “and” at the end of subparagraph

11 (B) ;

12 (B) striking out the period at the end of subpar-  
13 agraph (C) and inserting in lieu thereof “; and”; and

14 (C) inserting a new subparagraph (D) to read  
15 as follows:

16 “(D) a private nonprofit corporation or other  
17 private nonprofit legal entity, a limited dividend  
18 corporation or other limited dividend legal entity,  
19 or a cooperative housing corporation, which is a  
20 mortgagor under a mortgage insured under section  
21 236 (j) of the National Housing Act which has been  
22 approved for receiving the benefits of this section:  
23 *Provided*, That payments shall not be made with  
24 respect to more than 20 per centum of the dwelling  
25 units in any property so financed.”

1 (f) Section 207 of the Appalachian Regional Develop-  
 2 ment Act of 1965 is amended—

3 (1) by inserting in the heading “AND SECTION  
 4 236” immediately after “SECTION 221”;

5 (2) by inserting “or section 236” after “section  
 6 221” each place it appears;

7 (3) by inserting “or ‘section 236’ ” after “‘section  
 8 221’ ” in subsection (a) ; and

9 (4) by inserting “, Government National Mort-  
 10 gage Association,” immediately after “Federal Housing  
 11 Administration” in subsection (c) .

12 RENT SUPPLEMENT PROGRAM

13 SEC. 202. (a) Section 101(a) of the Housing and  
 14 Urban Development Act of 1965 is amended by striking  
 15 out everything after the word “exceed” the second time the  
 16 word appears in the third sentence and inserting in lieu  
 17 thereof the following: “\$150,000,000 per annum prior to  
 18 July 1, 1969, which maximum dollar amount shall be in-  
 19 creased by \$40,000,000 on July 1, 1969, and by \$100,-  
 20 000,000 on July 1, 1970.”

21 (b) Section 101(b) of such Act is amended by insert-  
 22 ing after the first sentence the following: “Such term also  
 23 includes a private nonprofit corporation or other private non-  
 24 profit legal entity, a limited dividend corporation, or other



1 limited dividend legal entity, or a cooperative housing corpo-  
2 ration, which is the owner of a rental or cooperative housing  
3 project financed under a State or local program providing  
4 assistance through loans, loan insurance, or tax abatements,  
5 and which prior to completion of construction or rehabilita-  
6 tion is approved for receiving the benefits of this section.”

7           PART B—LOW-RENT PUBLIC HOUSING

8 INCREASED LOW-RENT PUBLIC HOUSING AUTHORIZATION

9       SEC. 203. (a) Section 10(e) of the United States  
10 Housing Act of 1937 is amended by striking out in the  
11 first sentence “\$366,250,000 per annum, which limit shall  
12 be increased by \$47,000,000 on the date of enactment of  
13 the Housing and Urban Development Act of 1965, and by  
14 further amounts of \$47,000,000 on July 1 in each of the  
15 years 1966, 1967, and 1968, respectively,” and inserting  
16 in lieu thereof the following: “\$554,250,000 per annum,  
17 which limit shall be increased by \$100,000,000 on the date  
18 of enactment of the Housing and Urban Development Act  
19 of 1968 and by further amounts of \$150,000,000 on July 1  
20 in each of the years 1969 and 1970,”.

21       (b) Section 20 of such Act is amended by—

22           (1) striking out “not to exceed \$1,500,000,000”

1 in the first sentence and inserting in lieu thereof "which  
2 shall not, unless authorized by the President, exceed  
3 \$1,500,000,000"; and

4 (2) inserting after the first sentence the following:  
5 "For the purpose of determining obligations incurred  
6 to make loans pursuant to this Act against any limita-  
7 tion otherwise applicable with respect to such loans, the  
8 Secretary shall estimate the maximum amount to be  
9 loaned at any one time pursuant to loan agreements then  
10 outstanding with public housing agencies."

11 UPGRADING MANAGEMENT AND SERVICES IN PUBLIC  
12 HOUSING PROJECTS

13 SEC. 204. Section 15 of the United States Housing  
14 Act of 1937 is amended by adding at the end thereof the  
15 following new paragraph:

16 "(10) The Secretary is authorized to enter into con-  
17 tracts to make grants to public housing agencies to assist,  
18 where necessary, in financing tenant services for families  
19 living in low-rent housing projects. In making such contracts  
20 and grants, the Secretary shall give preference to programs  
21 providing for the maximum feasible participation of the  
22 tenants in the development and operation of such tenant



1 services. There are authorized to be appropriated for the  
2 purposes of this paragraph not to exceed \$20,000,000 for  
3 the fiscal year ending June 30, 1969, and not to exceed  
4 \$40,000,000 for the fiscal year ending June 30, 1970. Any  
5 amounts so appropriated shall remain available until ex-  
6 pended, and any amounts authorized for any fiscal year under  
7 this paragraph but not appropriated may be appropriated for  
8 any succeeding fiscal year commencing prior to July 1,  
9 1970.”

10 PURCHASE OF UNITS BY TENANTS

11 SEC. 205. Section 15 (9) of the United States Housing  
12 Act of 1937 is amended by striking out “which is suitable  
13 by reason of its detached or semidetached construction” and  
14 inserting in lieu thereof “, if the property to be acquired is  
15 sufficiently separable from other property retained by the  
16 public housing agency to make it suitable”.

17 PUBLIC HOUSING IN INDIAN AREAS

18 SEC. 206. (a) Section 1 of the United States Housing  
19 Act of 1937 is amended by striking out “urban and rural  
20 nonfarm” in the first sentence and inserting in lieu thereof  
21 “urban, rural nonfarm, and Indian”.

22 (b) Section 10 (a) of such Act is amended by inserting  
23 “or Indian” after “nonfarm” in the fourth proviso.

1 TITLE III—FEDERAL HOUSING ADMINISTRA-  
2 TION INSURANCE OPERATIONS

3 MORTGAGE INSURANCE PREMIUMS FOR SERVICEMEN AND  
4 THEIR WIDOWS

5 SEC. 301. Section 222 of the National Housing Act is  
6 amended by—

7 (1) striking out “Secretary of the Treasury” each  
8 place it appears and inserting in lieu thereof “Secretary  
9 of Transportation”; and

10 (2) adding at the end thereof two new subsections  
11 as follows:

12 “(f) The Secretary is authorized to transfer to this sec-  
13 tion the insurance on any mortgage covering a single-family  
14 dwelling or a one-family unit in a condominium project in-  
15 sured under this Act, if the mortgage indebtedness thereof  
16 has been assumed by a serviceman who at the time of as-  
17 sumption is the owner of the property and either occupies the  
18 property or certifies that his failure to do so is the result of  
19 his military assignment, or, in the case of the United States  
20 Coast Guard, other assignment.

21 “(g) Where a serviceman dies while on active duty in  
22 the Armed Forces of the United States or in the United  
23 States Coast Guard, leaving a surviving widow as owner of



1 the property, the period of ownership (as such term is used  
2 in subsection (c) of this section) shall extend for two years  
3 beyond the date of the serviceman's death or until the date  
4 the widow disposes of the property, whichever date occurs  
5 first. The Secretary of Defense or the Secretary of Transpor-  
6 tation, as the case may be, shall notify such widow promptly  
7 following the serviceman's death of the additional costs to be  
8 borne by the mortgagor following termination of the two-  
9 year period."

10 SEASONAL HOMES

11 SEC. 302. Section 203 of the National Housing Act is  
12 amended by adding at the end thereof the following new  
13 subsection:

14 "(m) The Secretary is authorized to insure under this  
15 section any mortgage meeting the requirements of sub-  
16 section (b) of this section, except as modified by this  
17 subsection. To be eligible, the mortgage shall involve a  
18 principal obligation not in excess of \$15,000 and not in  
19 excess of 75 per centum of the appraised value of the prop-  
20 erty, as of the date the mortgage is accepted for insurance.  
21 The mortgage shall cover a dwelling for single-family occu-  
22 pancy which is approved for mortgage insurance prior to  
23 the beginning of construction. The dwelling need not be  
24 designed for year-round occupancy, but it shall (1) meet  
25 standards prescribed by the Secretary, and (2) be located

1 in an area where the Secretary finds it is not practicable to  
2 obtain conformity with many of the requirements essential  
3 to the insuring of mortgages on housing in built-up urban  
4 areas. The development of the property with respect to  
5 which the mortgage is executed shall be consistent with the  
6 conservation of water and other natural resources of the area,  
7 and such property shall be an acceptable risk, giving con-  
8 sideration to the economic potential of the area in which the  
9 dwelling is located and the contribution that the housing will  
10 make toward improving the area. The Secretary may sus-  
11 pend the issuance of commitments under this subsection for  
12 the insurance of mortgages secured by properties situated in  
13 any area, whenever he determines that (i) there is a serious  
14 and unusual shortage of mortgage funds for residential con-  
15 struction in such area, (ii) such insurance would affect ma-  
16 terially and adversely the availability of mortgage funds for  
17 residential construction in such area, and (iii) such suspen-  
18 sion would not have an adverse impact upon the balanced  
19 economic development of the area.”

## 20 MODIFICATIONS IN TERMS OF INSURED MORTGAGES

### 21 COVERING MULTIFAMILY PROJECTS

22 SEC. 303. Title II of the National Housing Act is  
23 amended by adding after section 238 (as added by section  
24 104 of this Act) the following section:



1       “MODIFICATIONS IN TERMS OF INSURED MORTGAGES  
2                               COVERING MULTIFAMILY PROJECTS

3       “SEC. 239. (a) The Secretary shall not consent to any  
4 request for an extension of the time for curing a default under  
5 any mortgage covering multifamily housing, as defined in the  
6 regulations of the Secretary, or for a modification of the terms  
7 of such mortgage, except in conformity with regulations pre-  
8 scribed by the Secretary in accordance with the provisions  
9 of this section. Except as otherwise hereinafter provided, such  
10 regulations shall require as a condition to the granting of any  
11 such request, that, during the period of such extension or  
12 modification, any part of the rents or other funds derived by  
13 the mortgagor from the property covered by the mortgage  
14 which is not required to meet actual and necessary expenses  
15 arising in connection with the operation of such property,  
16 including amortization charges under the mortgage, be held  
17 in trust by the mortgagor and distributed only with the con-  
18 sent of the Secretary. In prescribing regulations under this  
19 section the Secretary may provide for the granting of con-  
20 sent to any request for an extension of the time for curing  
21 a default under any mortgage covering multifamily housing,  
22 or for a modification of the terms of such mortgage, without  
23 regard to the foregoing requirement, in any case or class of  
24 cases in which an exemption from such requirement does not

1 (as determined by the Secretary) jeopardize the interests  
2 of the United States.

3 “(b) Whoever, as an owner of a property which is  
4 security for a mortgage described in subsection (a), or as  
5 a stockholder of a corporation owning such property, or as  
6 a beneficial owner under any business organization or trust  
7 owning such property, or as an officer, director, or agent of  
8 any such owner, (1) willfully uses or authorizes the use of  
9 any part of the rents or other funds derived from property  
10 covered by such mortgage in violation of a regulation pre-  
11 scribed by the Secretary under subsection (a), or (2) if  
12 such mortgage is determined, as provided in subsection (a),  
13 to be exempt from the requirement of any such regulation  
14 or is not otherwise covered by such regulation, willfully and  
15 knowingly uses or authorizes the use, while such mortgage is  
16 in default, of any part of the rents or other funds derived from  
17 the property covered by such mortgage for any purpose other  
18 than to meet actual and necessary expenses arising in con-  
19 nection with such property (including amortization charges  
20 under the mortgage), shall be fined not more than \$5,000  
21 or imprisoned not more than three years, or both.”

22 CONDOMINIUMS

23 SEC. 304. (a) Section 234 (c) of the National Housing  
24 Act is amended by striking out “rental housing, and (3)”



1 in the first sentence and inserting in lieu thereof the follow-  
 2 ing: “rental housing: *Provided*, That a one-family unit in  
 3 a multifamily project involving eleven or less units shall be  
 4 eligible for insurance without having been covered by a proj-  
 5 ect mortgage, and (3)”.

6 (b) Section 234 (c) of such Act is further amended by  
 7 striking out “(iii) 75 per centum” in the third sentence,  
 8 and inserting in lieu thereof “(iii) 80 per centum”.

9 (c) Section 234 (f) of such Act is amended by strik-  
 10 ing out “five” and inserting in lieu thereof “four”.

11 INSURANCE OF LOANS FOR PURCHASE OF FEE SIMPLE

12 TITLE FROM LESSORS

13 SEC. 305. (a) Title II of the National Housing Act  
 14 is amended by adding after section 239 (as added by sec-  
 15 tion 303 of this Act) the following section:

16 “PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

17 “SEC. 240. (a) The Secretary is authorized, upon such  
 18 terms and conditions as he may prescribe, to make commit-  
 19 ments to insure and to insure loans made by financial insti-  
 20 tutions for the purpose of financing purchases by home-  
 21 owners of the fee simple title to property on which their  
 22 homes are located.

23 “(b) As used in this section—

24 “(1) the term ‘financial institution’ means a lender  
 25 approved by the Secretary as eligible for insurance

1 under section 2 or a mortgagee approved under section  
2 203 (b) (1) ; and

3 “ (2) the term ‘homeowner’ means a lessee under a  
4 long-term ground lease,

5 “ (c) To be eligible for insurance under this section, a  
6 loan shall—

7 “ (1) relate to property on which there is located  
8 a dwelling designed principally for a one-, two-, three-,  
9 or four-family residence;

10 “ (2) not exceed the cost of purchasing the fee  
11 simple title, or \$10,000 per family unit, whichever is  
12 the lesser;

13 “ (3) be limited to an amount which when added  
14 to any outstanding indebtedness related to the property  
15 (as determined by the Secretary) creates a total out-  
16 standing indebtedness which does not exceed the mort-  
17 gage limits prescribed in section 203 (b) ;

18 “ (4) bear interest at not to exceed such per centum  
19 per annum (not in excess of 6 per centum), on the  
20 amount of the principal obligation outstanding at any  
21 time, as the Secretary finds necessary to meet market  
22 conditions, and such other charges (including such serv-  
23 ice charge, appraisal, inspection, and other fees) as may  
24 be approved by the Secretary;



1           “(5) have a maturity satisfactory to the Secretary,  
2           but not to exceed twenty years from the beginning of  
3           amortization of the loan or three-quarters of the remain-  
4           ing economic life of the home, whichever is the lesser;  
5           and

6           “(6) comply with such other terms, conditions, and  
7           restrictions as the Secretary may prescribe.

8           “(d) The provisions of paragraphs (3), (5), (6), (7),  
9           (8), and (10) of section 220 (h) shall be applicable to loans  
10          insured under this section and, as applied to loans insured  
11          under this section, references in those paragraphs to ‘home  
12          improvement loans’ and ‘this subsection’ shall be construed  
13          to refer to loans under this section.”

14          (b) Section 5 (c) of the Home Owners Loan Act of  
15          1933, as amended (12 U.S.C. 1464 (c) ), is amended by  
16          adding immediately before the last paragraph the following  
17          new paragraph:

18          “Notwithstanding any other provisions of this subsec-  
19          tion, an association may invest in loans or obligations, or in-  
20          terests therein, as to which the association has the benefit of  
21          insurance under section 240 of the National Housing Act, or  
22          of a commitment or agreement therefor, and such invest-  
23          ments shall not be included in any percentage of assets or  
24          other percentage referred to in this subsection.”

1 EXTEND SECTION 221(d)(2) SALES HOUSING PROGRAM FOR  
 2 TWO-, THREE-, AND FOUR-FAMILY RESIDENCES TO ALL  
 3 LOW AND MODERATE INCOME FAMILIES

4 SEC. 306. Section 221 (d) (2) of the National Housing  
 5 Act is amended by striking out "a displaced family" at the  
 6 end of the first proviso and inserting in lieu thereof "the  
 7 mortgagor".

8 REMOVE DIVIDEND RESTRICTION FOR NONDWELLING FACIL-  
 9 ITIES IN SECTION 221 PROJECTS

10 SEC. 307. Section 221 (f) of the National Housing Act  
 11 is amended by striking out in the first sentence all that fol-  
 12 lows the word "mortgage" in the proviso and inserting in  
 13 lieu thereof ": *Provided further*, That, in the case of a mort-  
 14 gage which bears interest at the below-market interest rate  
 15 prescribed in the proviso of subsection (d) (5), the provi-  
 16 sions of section 220 (d) (3) (B) (iv) shall only apply if the  
 17 mortgagor waives the right to receive dividends on its equity  
 18 investment in the portion thereof devoted to commercial  
 19 facilities."

20 SUPPLEMENTAL LOAN PROGRAM FOR PROJECTS FINANCED  
 21 WITH FHA INSURED MORTGAGES

22 SEC. 308. Title II of the National Housing Act is  
 23 amended by adding after section 240 (as added by section  
 24 305 of this Act) the following new section:



## 1 “SUPPLEMENTAL LOANS FOR MULTIFAMILY PROJECTS

2 “SEC. 241. (a) With respect to a multifamily project  
3 or group practice facility covered by a mortgage insured  
4 under any section or title of this Act, the Secretary is author-  
5 ized, upon such terms and conditions as he may prescribe, to  
6 make commitments to insure, and to insure, supplemental  
7 loans (including advances during construction or improve-  
8 ment) made by financial institutions approved by the Secre-  
9 tary. As used in this section, ‘supplemental loan’ means a  
10 loan, advance of credit, or purchase of an obligation repre-  
11 senting a loan or advance of credit made for the purpose of  
12 financing improvements or additions to such project: *Pro-*  
13 *vided*, That a loan involving a nursing home covered by a  
14 mortgage insured under section 232 or a loan involving a  
15 group practice facility covered by a mortgage insured under  
16 title XI may also be made for the purpose of financing equip-  
17 ment to be used in the operation of such nursing home or  
18 facility.

19 “(b) To be eligible for insurance under this section, a  
20 supplemental loan shall—

21 “(1) be limited to 90 per centum of the amount  
22 which the Secretary estimates will be the value of such  
23 improvements, additions, and equipment, except that  
24 such amount, when added to the outstanding balance  
25 of the mortgage covering the project or facility, shall

1 not exceed the maximum mortgage amount insurable  
2 under the section or title pursuant to which the mortgage  
3 covering such project or facility is insured;

4 “(2) have a maturity satisfactory to the Secretary  
5 but not to exceed the remaining term of the mortgage;

6 “(3) bear interest (exclusive of premium charges  
7 for insurance and service charges, if any) at not to ex-  
8 ceed such per centum per annum (not in excess of 6 per  
9 centum), on the amount of the principal obligation out-  
10 standing at any time, as the Secretary finds necessary to  
11 meet market conditions;

12 “(4) be secured in such manner as the Secretary  
13 may require;

14 “(5) be governed by the labor standards provisions  
15 of section 212 that are applicable to the section or title  
16 pursuant to which the mortgage covering the project  
17 or facility is insured; and

18 “(6) contains such other terms, conditions, and  
19 restrictions as the Secretary may prescribe.

20 “(c) The provisions of subsections (d), (e), (g),  
21 (h), (i), (j), (k), (l), and (n) of section 207 shall be  
22 applicable to loans insured under this section, except that  
23 (1) all references to the term ‘mortgage’ shall be construed  
24 to refer to the term ‘loan’ as used in this section, (2) loans



1 involving projects covered by a mortgage insured under  
2 section 213 that is the obligation of the Cooperative Manage-  
3 ment Housing Insurance Fund shall be insured under and  
4 shall be the obligation of such fund, and (3) loans involving  
5 projects covered by a mortgage insured under section 236  
6 shall be insured under and shall be the obligation of the Spe-  
7 cial Risk Insurance Fund.”

8 HOME IMPROVEMENT LOANS—INCREASE IN MAXIMUM  
9 MATURITY, FINANCE CHARGE, AND LOAN AMOUNT

10 SEC. 309. Section 2 (b) of the National Housing Act is  
11 amended by—

12 (1) striking out “\$3,500” and inserting in lieu  
13 thereof “\$5,000”;

14 (2) striking out “five years” and inserting in lieu  
15 thereof “seven years”;

16 (3) striking out “\$5 discount” and inserting in lieu  
17 thereof “\$5.50 discount”; and

18 (4) striking out “\$4 discount” and inserting in lieu  
19 thereof “\$4.50 discount”.

20 EXPERIMENTAL HOUSING PROGRAM

21 SEC. 310. Section 233 of the National Housing Act is  
22 amended by—

23 (1) striking out “of this title” immediately before  
24 the semicolon in subsection (b) and inserting in lieu  
25 thereof “or titles of this Act”; and

(2) striking out “of this title” in subsection (e) and inserting in lieu thereof “or title of this Act”.

TERM OF FEDERAL HOUSING ADMINISTRATION MORTGAGES  
FOR LAND DEVELOPMENT

SEC. 311. Section 1002 (d) (1) of the National Housing Act is amended—

(1) by striking out “seven” and inserting in lieu thereof “ten”; and

(2) by striking out the semicolon and inserting in lieu thereof the following: “: *Provided*, That the Secretary may agree to a reasonable extension of the term of a mortgage, the maturity of which is limited by this paragraph to not more than ten years, if he determines that unusual or unforeseen circumstances make such extension necessary to avoid undue hardship to the mortgagor;”.

REHABILITATED MULTIFAMILY PROJECTS IN URBAN RE-  
NEWAL AREAS

SEC. 312. (a) Section 220 (d) (3) (B) (ii) of the National Housing Act is amended by inserting immediately preceding the semicolon at the end thereof “: *Provided further*, That the mortgage may involve the financing of the purchase of property which has been rehabilitated by a local public agency with Federal assistance pursuant to section



1 110 (c) (8) of the Housing Act of 1949, and, in such case,  
 2 the foregoing limitations upon the amount of the mortgage  
 3 shall be based upon the appraised value of the property as  
 4 of the date the mortgage is accepted for insurance”.

5 (b) Section 221 (d) (3) (iii) of the National Housing  
 6 Act is amended by inserting immediately preceding the colon  
 7 at the end of the first proviso “: *Provided further*, That the  
 8 mortgage may involve the financing of the purchase of prop-  
 9 erty which has been rehabilitated by a local public agency  
 10 with Federal assistance pursuant to section 110 (c) (8) of  
 11 the Housing Act of 1949, and, in such case, the amount of  
 12 the mortgage shall not exceed the appraised value of the  
 13 property as of the date the mortgage is accepted for  
 14 insurance”.

#### 15 MISCELLANEOUS HOUSING INSURANCE

16 SEC. 313. (a) Section 223 of the National Housing Act  
 17 is amended by—

18 (1) striking out that part of the text of subsection  
 19 (a) which precedes the first numbered paragraph and  
 20 inserting in lieu thereof the following: “Notwithstanding  
 21 any of the provisions of this Act and without regard to  
 22 limitations upon eligibility contained in any section or  
 23 title of this Act, the Secretary is authorized, upon appli-  
 24 cation by the mortgagee, to insure or make commitments

1 to insure under any section or title of this Act any  
2 mortgage—”;

3 (2) striking out in the first and second provisos of  
4 subsection (a) (7) “applicable to loans insured under  
5 section 203, 207, 213, 220, 221, 222, 231, 232, or  
6 233, as the case may be” and inserting in lieu thereof  
7 “prescribed under the applicable section or title of this  
8 Act”;

9 (3) striking out in subsection (c) each time it  
10 appears “this title” and inserting in lieu thereof “this  
11 Act”;

12 (4) striking out in subsection (c) “title I, title II,  
13 title VI, title VII, title VIII, or title IX” and in-  
14 serting in lieu thereof “any section or title of this  
15 Act”; and

16 (5) striking out at the end of subsection (c)  
17 “(except that in any case the payment of insurance  
18 shall be in debentures)”.

19 (b) Section 223 (d) of such Act is amended by striking  
20 out all that follows “as he may prescribe,” and inserting in  
21 lieu thereof the following: “insure under the same section  
22 as the original mortgage a loan by the mortgagee in an  
23 amount not exceeding the excess of the foregoing expenses  
24 over the project income. Such loan shall (1) bear interest



1 (exclusive of premium charges for insurance) at not to  
2 exceed the per centum per annum currently permitted for  
3 mortgages insured under the section under which it is to  
4 be insured, (2) be secured in such manner as the Secretary  
5 shall require, and (3) be limited to a term not exceeding  
6 the unexpired term of the original mortgage. The Secretary  
7 is authorized to collect a premium charge for insurance of  
8 loans pursuant to this subsection in an amount computed at  
9 the same premium rate as is applicable to the original  
10 mortgage. This premium shall be payable in cash or in  
11 debentures of the insurance fund under which the loan is  
12 insured at par plus accrued interest. In the event of a failure  
13 of the borrower to make any payment due under such loan  
14 or under the original mortgage, both the loan and original  
15 mortgage shall be considered in default, and if such default  
16 continues for a period of thirty days, the lender shall be  
17 entitled to insurance benefits, computed in the same manner  
18 as for the original mortgage, except that in determining the  
19 interest rate under section 224 for the debentures repre-  
20 senting the portion of the claim applicable to the loan, the  
21 date of the commitment to insure the loan and the insurance  
22 date of the loan shall be taken into consideration rather than  
23 the commitment or insurance date for the original mortgage.”

1 SUPPLEMENTARY LOANS FOR COOPERATIVE HOUSING PUR-  
2 CHASED FROM THE FEDERAL GOVERNMENT

3 SEC. 314. Section 213 (j) of the National Housing Act  
4 is amended by—

5 (1) inserting after the first sentence of paragraph  
6 (1) the following sentence: “The Secretary is further  
7 authorized to make commitments to insure and to insure  
8 supplementary cooperative loans (including advances  
9 during construction or improvement) with respect to  
10 any property purchased from the Federal Government  
11 by a nonprofit corporation or trust of the character  
12 described in paragraph (1) of subsection (a), if the  
13 property is covered by an uninsured mortgage repre-  
14 senting a part of the purchase price.”; and

15 (2) adding before the semicolon at the end of par-  
16 agraph (2) (B) the following: “, except that, in the  
17 case of repairs or improvements to a property covered by  
18 an uninsured mortgage dated more than twenty years  
19 prior to the date of the commitment to insure, of such  
20 magnitude that the Secretary deems them to be a major  
21 rehabilitation or modernization of such property, the loan  
22 may have a maturity date up to ten years in excess of  
23 the remaining term of the uninsured mortgage”.



## 1                   EQUIPMENT IN NURSING HOMES

2           SEC. 315. Section 232 of the National Housing Act is  
3 amended by—

4           (1) striking out the text of subsection (b) (2) and  
5 inserting in lieu thereof the following:

6           “(2) the term ‘mortgage’ means a first mortgage  
7 on real estate in fee simple, or on the interest of either  
8 the lessor or lessee thereof (A) under a lease for not  
9 less than ninety-nine years which is renewable, or (B)  
10 under a lease having a period of not less than fifty years  
11 to run from the date the mortgage was executed. The  
12 term ‘first mortgage’ means such classes of first liens as  
13 are commonly given to secure advances (including but  
14 not limited to advances during construction), on, or the  
15 unpaid purchase price of, real estate under the laws of  
16 the State in which the real estate is located, together  
17 with the credit instrument or instruments, if any, secured  
18 thereby, and any mortgage may be in the form of one or  
19 more trust mortgages or mortgage indentures or deeds  
20 of trust, securing notes, bonds, or other credit instru-  
21 ments, and, by the same instrument or by a separate  
22 instrument, may create a security interest in initial  
23 equipment, whether or not attached to the realty. The

1 term 'mortgagor' shall have the meaning set forth in  
2 section 207 (a) of this Act.”;

3 (2) striking out the text in subsection (d) which  
4 precedes the first numbered clause and inserting in lieu  
5 thereof the following:

6 “(d) In order to carry out the purposes of this  
7 section, the Secretary is authorized to insure any  
8 mortgage which covers a new or rehabilitated nursing  
9 home, including equipment to be used in its operation,  
10 subject to the following conditions:”; and

11 (3) striking out “when the proposed improvements  
12 are completed” before the period at the end of subsection  
13 (d) (2) and inserting in lieu thereof the following:  
14 “, including equipment to be used in the operation of the  
15 nursing home, when the proposed improvements are  
16 completed and the equipment is installed”.

17 FLEXIBLE INTEREST RATES FOR CERTAIN FHA INSURANCE  
18 PROGRAMS

19 SEC. 316. Section 3 (a) of the Act entitled “An Act to  
20 amend chapter 37 of title 38 of the United States Code with  
21 respect to the veterans' home loan program, to amend the  
22 National Housing Act with respect to interest rates on insured  
23 mortgages, and for other purposes”, approved May 7, 1968,



1 is amended by inserting “235 (j) (2) (C), 236 (j) (4) (B),  
2 240 (c) (4), 241 (b) (3),” after “234 (f),”.

3 SALE OF REHABILITATED UNITS IN MULTIFAMILY  
4 STRUCTURES

5 SEC. 317. (a) Section 221 (h) (2) (A) of the National  
6 Housing Act is amended to read as follows:

7 “(A) be executed by a private nonprofit cor-  
8 poration or association, approved by the Secretary,  
9 for financing the purchase and rehabilitation (with the  
10 intention of subsequent resale) of property comprising  
11 one or more tracts or parcels, whether or not contiguous,  
12 upon which there is located deteriorating or substandard  
13 housing consisting of (i) four or more single-family  
14 dwellings or detached, semidetached, or row construc-  
15 tion, or (ii) four or more one-family units in a structure  
16 or structures for which a plan of family unit ownership  
17 approved by the Secretary is established;”.

18 (b) Section 221 (h) of such Act is amended by adding  
19 at the end thereof a new paragraph as follows:

20 “(6) Where the Secretary has approved a plan of  
21 family unit ownership, the terms ‘single-family dwelling’,  
22 ‘single-family dwellings’, ‘individual dwelling’, and ‘indi-  
23 vidual dwellings’ shall mean a family unit or family units,  
24 together with the undivided interest (or interests) in the  
25 common areas and facilities.”

## LIMITATION ON PAYMENT OF INSURANCE BENEFITS

SEC. 318. (a) Title V of the National Housing Act is amended by adding at the end thereof a new section as follows:

## “LIMITATION ON PAYMENT OF INSURANCE BENEFITS

“SEC. 524. Notwithstanding any other provision of this Act, the amount paid by the Secretary on any insurance claim for the principal amount owing on any mortgage which is insured under this Act shall not exceed an amount equal to such principal amount, less any charges or discounts imposed, under a points or related system, upon the seller of the property securing such mortgage, or upon the mortgagor under such mortgage, or both, in connection with the financing of such mortgage.”

(b) The amendment made by this section shall not apply to any mortgage (1) insured under the National Housing Act prior to the date of enactment of the Housing and Urban Development Act of 1968, or (2) with respect to which a commitment to insure was entered into pursuant to such Act prior to such date.

## FEDERAL LOAN ADJUSTMENTS

SEC. 319. In the administration of the disaster loan program under section 7 (b) of the Small Business Act, any application for a loan thereunder in an amount of \$30,000 or less in the case of a homeowner, or \$100,000 or less in the



1 case of a business concern, may be granted, if such a loan is  
2 for the repair, rehabilitation, or replacement of property seri-  
3 ously damaged or destroyed as the result of a major disaster  
4 occurring after January 1, 1968, without regard to whether  
5 the required financial assistance is otherwise available from  
6 private sources.

7 TITLE IV—GUARANTEES FOR FINANCING NEW  
8 COMMUNITY LAND DEVELOPMENT

9 CITATION

10 SEC. 401. This title may be referred to as the “New  
11 Communities Act of 1968”.

12 PURPOSE

13 SEC. 402. It is the purpose of this title, by facilitating  
14 the enlistment of private capital in new community develop-  
15 ment, to encourage the development of new communities  
16 that—

17 (1) contribute to the general betterment of living  
18 conditions through the improved quality of community  
19 development made possible by a consistent design for  
20 the provision of homes, commercial and industrial facili-  
21 ties, public and community facilities, and open spaces;

22 (2) make substantial contributions to the sound  
23 and economic growth of the areas in which they are  
24 located;

(3) provide needed additions to the general housing supply;

(4) provide opportunities for innovation in housing and community development technology and in land use planning;

(5) enlarge housing and employment opportunities by increasing the range of housing choice and providing new investment opportunities for industry and commerce;

(6) encourage the maintenance and growth of a diversified local homebuilding industry; and

(7) include, to the greatest extent feasible, the employment of new and improved technology, techniques, materials, and methods in housing construction, rehabilitation, and maintenance under programs administered by the Department of Housing and Urban Development with a view to reducing the cost of such construction, rehabilitation, and maintenance, and stimulating the increased and sustained production of housing under such programs.

#### GUARANTEE AUTHORITY

SEC. 403. To carry out the purposes of this title the Secretary is authorized to guarantee, and enter into commitments to guarantee, the bonds, debentures, notes, and other obligations issued by new community developers to help fi-



1 nance new community development projects. The Secretary  
2 may make such guarantees and enter into such commitments,  
3 subject to the limitations contained in sections 404 and 405,  
4 upon such terms and conditions as he may prescribe, taking  
5 into account (1) the large initial capital investment required  
6 to finance sound new communities, (2) the extended period  
7 before initial returns on this type of investment can be ex-  
8 pected, (3) the irregular pattern of cash returns characteris-  
9 tic of such investment, and (4) the financial and security in-  
10 terests of the United States in connection with guarantees  
11 made under this title.

12 ELIGIBLE NEW COMMUNITY DEVELOPMENT

13 SEC. 404. No guarantee or commitment to guarantee  
14 may be made under this title unless the Secretary has de-  
15 termined that—

16 (1) the proposed new community (A) will be  
17 economically feasible in terms of economic base or po-  
18 tential for growth, and (B) will contribute to the  
19 orderly growth and development of the area of which it  
20 is a part;

21 (2) there is a practicable plan (including appropri-  
22 ate time schedules) for financing the land acquisition and  
23 land development costs of the proposed new community  
24 and for improving and marketing the land which, giving  
25 due consideration to the public purposes of this title and

1 the special problems involved in financing new com-  
2 munities, represents an acceptable financial risk to the  
3 United States;

4 (3) there is a sound internal development plan for  
5 the new community which (A) has received all govern-  
6 mental approvals required by State or local law or by  
7 the Secretary; and (B) is acceptable to the Secretary as  
8 providing reasonable assurance that the development  
9 will contribute to good living conditions in the area being  
10 developed, will be characterized by sound land use pat-  
11 terns, will include a proper balance of housing for fami-  
12 lies of low and moderate income, and will include or  
13 be served by such shopping, school, recreational, trans-  
14 portation, and other facilities as the Secretary deems  
15 satisfactory; and

16 (4) the internal development plan is consistent with  
17 a comprehensive plan which covers, or with comprehen-  
18 sive planning being carried on for, the area in which the  
19 land is situated, and which meets criteria established by  
20 the Secretary for such comprehensive plans or planning.

#### 21 ELIGIBLE OBLIGATIONS

22 SEC. 405. (a) Any bond, debenture, note or other obli-  
23 gation guaranteed under this title shall—

24 (1) be issued by a new community developer, other  
25 than a public body, approved by the Secretary on the



1 basis of financial, technical and administrative ability  
2 which demonstrates his capacity to carry out the pro-  
3 posed project;

4 (2) be issued to and held by investors approved  
5 by, or meeting requirements prescribed by, the Secre-  
6 tary, or if an offering to the public is contemplated, be  
7 underwritten upon terms and conditions approved by  
8 the Secretary;

9 (3) be issued to finance a program of land devel-  
10 opment (including acquisition or use of land) approved  
11 by the Secretary: *Provided*, That the Secretary shall,  
12 through cost certification procedures, escrow or trustee-  
13 ship requirements, or other means, insure that all pro-  
14 ceeds from the sale of obligations guaranteed under this  
15 title are expended pursuant to such program;

16 (4) involve a principal obligation in an amount  
17 not to exceed the lesser of (A) 80 per centum of the  
18 Secretary's estimate of the value of the property upon  
19 completion of the land development or (B) the sum  
20 of 75 per centum of the Secretary's estimate of the  
21 value of the land before development and 90 per centum  
22 of his estimate of the actual cost of the land development;

23 (5) bear interest at a rate satisfactory to the Sec-  
24 retary, such interest to be exclusive of any service  
25 charges and fees that may be approved by the Secretary;

1           (6) contain repayment and maturity provisions sat-  
2   isfactory to the Secretary; and

3           (7) contain provisions which the Secretary shall  
4   prescribe with respect to the protection of the security  
5   interests of the United States (including subrogation pro-  
6   visions), liens and releases of liens, payment of taxes,  
7   and such other matters as the Secretary may, in his dis-  
8   cretion, prescribe.

9           (b) The outstanding principal obligations guaranteed  
10 under this title with respect to a single new community  
11 development project shall at no time exceed \$50,000,000.

#### 12                               FEES AND CHARGES

13       SEC. 406. The Secretary is authorized to establish and  
14 collect fees for guarantees made under this title and may  
15 make such charges as he considers reasonable for the analy-  
16 sis of development and financing plans and for appraisals  
17 and inspections related to new community development proj-  
18 ects. On or before January 1, 1970, the Secretary shall  
19 make a report to the Congress concerning the fees and other  
20 charges under this title that he estimates will be adequate to  
21 provide income sufficient for a self-supporting program.

#### 22                               GUARANTEE FUND

23       SEC. 407. (a) To provide for the payment of any lia-  
24 bilities incurred as a result of guarantees made under this  
25 title, the Secretary is authorized to establish a revolving fund



1 which shall be comprised of (1) receipts from fees and  
2 charges; (2) recoveries under security or subrogation rights  
3 or other rights, and any other receipts obtained in connection  
4 with such guarantees; and (3) such sums, which are hereby  
5 authorized to be appropriated, as may be required for pro-  
6 gram operations and nonadministrative expenses and to make  
7 any and all payments guaranteed under this title.

8 (b) The full faith and credit of the United States is  
9 pledged to the payment of all guarantees made under this  
10 title with respect to both principal and interest, including  
11 (1) interest, as may be provided for in the guarantee,  
12 accruing between the date of default under a guaranteed  
13 obligation and the payment in full of the guarantee, and (2)  
14 principal and interest due under any debentures issued by  
15 the Secretary toward payment of guarantees made under  
16 this title.

17 (c) Notwithstanding any other provision of law relating  
18 to the acquisition, handling, improvement, or disposal of real  
19 and other property by the United States, the Secretary shall  
20 have power, for the protection of the interests of the guaran-  
21 tee fund authorized under this section, to pay out of such  
22 fund all expenses or charges in connection with the acqui-  
23 sition, handling, improvement, or disposal of any property  
24 acquired by him under this title; and notwithstanding any  
25 other provision of law, the Secretary shall also have power to

1 pursue to final collection by way of compromise or other-  
2 wise all claims acquired by him in connection with any se-  
3 curity, subrogation, or other rights obtained by him in carry-  
4 ing out this title.

5 (d) The aggregate of the outstanding principal obliga-  
6 tions guaranteed under this title shall at no time exceed  
7 \$250,000,000.

8 INCONTESTABILITY

9 SEC. 408. Any guarantee made by the Secretary under  
10 this title shall be conclusive evidence of the eligibility of the  
11 obligations for such guarantee, and the validity of any guar-  
12 antee so made shall be incontestable in the hands of a quali-  
13 fied holder of the guaranteed obligation except for fraud or  
14 material misrepresentation on the part of such holder.

15 ENCOURAGEMENT OF SMALL BUILDERS

16 SEC. 409. The Secretary shall adopt such requirements  
17 as he deems necessary to assure that new community con-  
18 struction assisted under this title will encourage the mainte-  
19 nance of a diversified local homebuilding industry and broad  
20 participation by builders, particularly small builders.

21 LABOR

22 SEC. 410. All laborers and mechanics employed by con-  
23 tractors or subcontractors in land development assisted under  
24 section 403 shall be paid wages at rates not less than those



1 prevailing on similar construction in the locality as deter-  
2 mined by the Secretary of Labor in accordance with the  
3 Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5).  
4 No assistance shall be extended under section 403 for land  
5 development without first obtaining adequate assurance that  
6 these labor standards will be maintained upon the construc-  
7 tion work involved in such development. The Secretary of  
8 Labor shall have, with respect to the labor standards specified  
9 in this section, the authority and functions set forth in Reor-  
10 ganization Plan Numbered 14 of 1950 (64 Stat. 1267), and  
11 section 2 of the Act of June 13, 1934 (40 U.S.C. 276c).

12 REAL PROPERTY TAXATION

13 SEC. 411. Nothing in this title shall be construed to  
14 exempt any real property that may be acquired and held by  
15 the Secretary as a result of the exercise of lien or subroga-  
16 tion rights from real property taxation to the same extent,  
17 according to its value, as other real property is taxed.

18 SUPPLEMENTARY GRANTS

19 SEC. 412. (a) The Secretary is authorized to make  
20 supplementary grants to State and local public bodies and  
21 agencies carrying out new community assistance projects,  
22 as defined in section 415(c), if the Secretary determines  
23 that such grants are necessary or desirable for carrying out  
24 a new community development project approved for assist-  
25 ance under section 403, and that a substantial number of

1 housing units for low and moderate income persons is to be  
2 made available through such development project.

3 (b) In no case shall any grant under this section exceed  
4 20 per centum of the cost of the new community assistance  
5 project for which the grant is made; and in no case shall the  
6 total Federal contributions to the cost of such project be  
7 more than 80 per centum.

8 (c) In carrying out his authority under this section the  
9 Secretary shall consult with the Secretary of Agriculture  
10 with respect to new community assistance projects assisted  
11 by that Department, and he shall, for the purpose of sub-  
12 section (b), accept that Department's certifications as to  
13 the cost of such projects.

14 (d) There are authorized to be appropriated for grants  
15 under this section not to exceed \$5,000,000 for the fiscal year  
16 ending June 30, 1969, and not to exceed \$25,000,000 for  
17 the fiscal year ending June 30, 1970. Any amounts so  
18 appropriated shall remain available until expended, and any  
19 amounts authorized for any fiscal year under this subsection  
20 but not appropriated may be appropriated for any succeeding  
21 fiscal year commencing prior to July 1, 1970.

22 GENERAL PROVISIONS AND RULES AND REGULATIONS

23 SEC. 413. In the performance of, and with respect to,  
24 the functions, powers, and duties vested in him by this title,  
25 the Secretary shall (in addition to any authority otherwise



1 vested in him) have the functions, powers, and duties (in-  
 2 cluding the authority to issue rules and regulations) set  
 3 forth in section 402, except subsections (c) (2), (d), and  
 4 (f), of the Housing Act of 1950: *Provided*, That subsec-  
 5 tion (a) (1) of section 402 shall not apply with respect to  
 6 functions, powers, and duties under section 412 of this title.

#### 7           AUDIT BY GENERAL ACCOUNTING OFFICE

8       SEC. 414. The financial transactions of recipients of Fed-  
 9 eral grants or of developers whose obligations are guaranteed  
 10 by the United States pursuant to this title may be audited by  
 11 the General Accounting Office under such rules and regula-  
 12 tions as may be prescribed by the Comptroller General of the  
 13 United States. The representatives of the General Accounting  
 14 Office shall have access to all books, accounts, records, re-  
 15 ports, files, and all other papers, things, or property belong-  
 16 ing to or in use by such developers or recipients of grants  
 17 pertaining to their financial transactions and necessary to  
 18 facilitate the audit.

#### 19                   DEFINITIONS

20       SEC. 415. As used in this title—

21       (a) The term “land development” means the process  
 22 of grading land, making, installing, or constructing water  
 23 lines and water supply installations, sewer lines and sewage  
 24 disposal installations, steam, gas, and electric lines and in-  
 25 stallations, roads, streets, curbs, gutters, sidewalks, storm

1 drainage facilities, and other installations or work, whether  
2 on or off the site, which the Secretary deems necessary or  
3 desirable to prepare land for residential, commercial, indus-  
4 trial, or other uses, or to provide facilities for public or com-  
5 mon use. The term "land development" shall not include any  
6 building unless it is (1) a building which is needed in con-  
7 nection with a water supply or sewage disposal installation  
8 or a steam, gas, or electric line or installation, or (2) a  
9 building, other than a school, which is to be owned and  
10 maintained jointly by the residents of the new community  
11 or is to be transferred to public ownership, but not prior  
12 to its completion.

13 (b) The term "actual costs" means the costs (exclu-  
14 sive of rebates or discounts) incurred by a new community  
15 developer in carrying out the land development assisted  
16 under this title. These costs may include amounts paid for  
17 labor, materials, construction contracts, land planning, engi-  
18 neers' and architects' fees, surveys, taxes, and interest dur-  
19 ing development, organizational and legal expenses, such  
20 allocation of general overhead expenses as are acceptable to  
21 the Secretary, and other items of expense incidental to devel-  
22 opment which may be approved by the Secretary. If the  
23 Secretary determines that there is an identity of interest  
24 between the new community developer and a contractor,  
25 there may be included as a part of actual costs an allowance



1 for the contractor's profit in an amount deemed reasonable  
2 by the Secretary.

3 (c) The term "new community assistance projects"  
4 means projects assisted by grants made under section 702  
5 of the Housing and Urban Development Act of 1965, sec-  
6 tion 306 (a) (2) of the Consolidated Farmers' Home Admin-  
7 istration Act, or title VII of the Housing Act of 1961.

8 CONFORMING AMENDMENTS

9 SEC. 416. (a) Section 202 (b) (4) of the Housing  
10 Amendments of 1955 is amended by adding before the  
11 period at the end of the second sentence "or under title IV  
12 of the Housing and Urban Development Act of 1968".

13 (b) The first paragraph of section 24 of the Federal  
14 Reserve Act is amended by striking out all that follows  
15 "national banking association" in the fourth sentence and  
16 adding "may make loans or purchase obligations for land  
17 development which are secured by mortgages insured under  
18 title X of the National Housing Act or guaranteed under  
19 title IV of the Housing and Urban Development Act of  
20 1968.".

21 (c) The next to last paragraph of section 5 (c) of the  
22 Home Owners' Loan Act of 1933 is amended by adding at  
23 the end thereof the following new sentence: "Without regard  
24 to any other provision of this subsection, an association may  
25 invest in loans or obligations, or interests therein, as to which

1 the association has the benefit of any guaranty under title IV  
2 of the Housing and Urban Development Act of 1968 as now  
3 or hereafter in effect, or of a commitment or agreement there-  
4 for, and such investments shall not be included in any per-  
5 centage of assets or other percentage referred to in this  
6 subsection.”

## 7 TITLE V—URBAN RENEWAL

8 SEC. 501. (a) Title I of the Housing Act of 1949 is  
9 amended by adding after the title heading the following new  
10 subheading:

11 “PART A—URBAN RENEWAL PROJECTS, DEMOLITION PRO-  
12 GRAMS, AND CODE ENFORCEMENT PROGRAMS”

13 (b) Title I of such Act is further amended by adding at  
14 the end thereof the following new part:

15 “PART B—NEIGHBORHOOD DEVELOPMENT PROGRAMS

16 “PURPOSE AND AUTHORITY

17 “SEC. 131. (a) To facilitate more rapid renewal and  
18 development of urban areas on an effective scale, and to en-  
19 courage more efficient and flexible utilization of public and  
20 private development opportunities by local communities in  
21 such areas, the Secretary is authorized to make financial as-  
22 sistance available under this title to local public agencies  
23 for undertakings and activities which are carried out under a  
24 neighborhood development program approved by him pur-  
25 suant to this part.



1       “(b) A neighborhood development program shall con-  
 2 sist of urban renewal project undertakings and activities in  
 3 one or more urban renewal areas which are planned and  
 4 carried out on the basis of annual increments in accordance  
 5 with the provisions of this title for planning and carrying out  
 6 urban renewal projects, except as modified by the provisions  
 7 of this part.

8       “(c) No application for financial assistance in planning  
 9 and carrying out a neighborhood development program shall  
 10 be approved by the Secretary unless—

11               “(1) the governing body of the locality has, by  
 12 resolution or ordinance, approved the proposed program  
 13 and the annual increment covered by the application  
 14 and authorized the filing of the application for financial  
 15 assistance; and

16               “(2) the Secretary has concluded that there is the  
 17 necessary capacity to carry out the undertakings and  
 18 activities included under the program.

19                               “FINANCIAL PROVISIONS

20       “SEC. 132. (a) Upon the approval of a neighborhood  
 21 development program by the Secretary, the cost of any under-  
 22 takings and activities authorized as part of the program shall  
 23 be financed in accordance with the loan, capital grant, and  
 24 project cost provisions of part A, except:

25               “(1) net project cost may be calculated on the basis

1 of costs incurred and proceeds derived for the account  
2 of the program during a specified twelve-month period,  
3 and may be recalculated for succeeding periods of twelve  
4 months to reflect additional costs and additional proceeds  
5 since the date of the last computation or recomputation;  
6 and

7 “(2) if property has been acquired but not disposed  
8 of prior to the computation or recomputation of net proj-  
9 ect cost, temporary loans made or secured under this title  
10 to finance undertakings or activities included in the pro-  
11 gram may remain outstanding until the property has  
12 been disposed of and the proceeds thereof, together with  
13 additional funds becoming available to the program, are  
14 sufficient to permit repayment of the loans.

15 “(b) In the event that gross project cost as computed  
16 for a specified twelve-month period is exceeded, with respect  
17 to that period, by the sum of (1) the sales price of land  
18 or other property sold, and (2) the imputed capital value  
19 of land or other property leased or retained by the local  
20 public agency in accordance with the provisions of the urban  
21 renewal plan, the local public agency shall pay to the  
22 Secretary two-thirds of the excess (or three-fourths in the  
23 case of a program on a three-fourths grant basis), which  
24 amount shall be available to the Secretary for grant payments  
25 under section 103.



## 1                                   “LOCAL GRANTS-IN-AID

2           “SEC. 133. (a) For the purpose of determining the  
3 eligibility of local grants-in-aid in connection with under-  
4 takings and activities carried out under a neighborhood  
5 development program, the three-year period referred to in  
6 section 110(d) shall be deemed to be a period of three  
7 years prior to the authorization by the Secretary of the  
8 first contract for financial assistance under the program which  
9 includes the urban renewal area which is benefited by the  
10 public improvement or facility for which credit is claimed;  
11 and the seven-year period referred to in clause (1) of sec-  
12 tion 112(b) shall be deemed to be a period of seven years  
13 prior to the date of authorization by the Secretary of the  
14 first contract for financial assistance under the program which  
15 includes the urban renewal area which is benefited by the  
16 expenditures for which credit is claimed.

17           “(b) No portion of the cost of a public improvement or  
18 public facility (to the extent otherwise eligible) may be in-  
19 cluded as a local grant-in-aid in computing the gross project  
20 cost of an approved program for any twelve-month period—

21                   “(1) prior to commencement of construction of the  
22 improvement or facility, or

23                   “(2) in excess of the amount actually expended or  
24 obligated by contract.

25           “(c) The provisions of section 104 with respect to the

1 pooling of local grants-in-aid among the various projects  
2 undertaken by a local public agency shall not be applicable  
3 with respect to any excess local grants-in-aid resulting from  
4 the urban renewal projects contained in a neighborhood de-  
5 velopment program.

6 "GENERAL PROVISIONS

7 "SEC. 134. (a) For purposes of this part—

8 " (1) the workable program requirement in section  
9 101 (c) shall apply to the authorization, rather than the  
10 execution, of any contract for loans or capital grants;

11 " (2) capital grants on a three-fourths basis may  
12 only be made under section 103 (a) (2) (B) ;

13 " (3) the relocation requirements specified in sec-  
14 tion 105 (c) shall apply to each annual increment of an  
15 approved program;

16 " (4) section 106 (g) (relating to transient hous-  
17 ing) shall apply to activities undertaken under approved  
18 programs, except that the determination as to need for  
19 transient housing shall be made with respect to any sale  
20 or lease of land for construction of such housing prior to  
21 such sale or lease; and

22 " (5) the requirement concerning demolition and  
23 removal of buildings and improvements stated in clause  
24 (A) of the sentence following paragraph (10) of sec-



1       tion 110 (c) shall apply to each annual increment of an  
2       approved program.

3       “(b) The approval by the Secretary of financial assist-  
4       ance for one or more annual increments of a neighborhood  
5       development program shall not be considered as obligating  
6       him to provide financial assistance for any subsequent annual  
7       increments.

8       “(c) The urban renewal plan referred to in section 110  
9       (b) may cover one or more of the urban renewal areas cov-  
10      ered by a neighborhood development program and such plan  
11      may be modified from time to time to cover additional urban  
12      renewal areas added to the program. The Secretary may  
13      establish such requirements, as he deems appropriate, pre-  
14      scribing the scope and content of such plan, taking into con-  
15      sideration, among other matters, the degree of detail needed  
16      in the plan to properly and expeditiously carry out the activi-  
17      ties and undertakings proposed in any annual increment of a  
18      neighborhood development program.”

19                                   INCREASED AUTHORIZATION

20       SEC. 502. (a) Section 103 (b) of the Housing Act  
21      of 1949 is amended by striking out in the first sentence  
22      everything after “exceed” and inserting in lieu thereof “\$7,-  
23      600,000,000, which amount shall be increased by \$1,400,-  
24      000,000 on July 1, 1969.”

25       (b) Section 103 (b) of such Act is further amended by

1 striking out “\$250,000,000” in the second sentence and in-  
2 serting in lieu thereof “\$600,000,000”.

3 REHABILITATION GRANTS

4 SEC. 503. (a) The second sentence of section 115 (a)  
5 of the Housing Act of 1949 is amended by striking out the  
6 words “a structure” and “structure” and inserting in lieu  
7 thereof “real property”.

8 (b) Section 115 (b) of such Act is amended by striking  
9 out “\$1,500” and inserting in lieu thereof “\$2,500”.

10 (c) Section 115 (a) of such Act is amended by insert-  
11 ing “(1)” after “(a)”, and by adding at the end thereof  
12 a new paragraph as follows:

13 “(2) In addition to the authority conferred by para-  
14 graph (1), and notwithstanding any other provision of this  
15 title, the Secretary is authorized, through the utilization of  
16 local public agencies where feasible, to make grants (payable  
17 from any grant funds provided under section 103 (b) ) to an  
18 individual or family, as described in subsection (b) , to cover  
19 the cost of repairs and improvements necessary to make real  
20 property owned and occupied by such individual or family  
21 conform to public standards for decent, safe, and sanitary  
22 housing. No grants shall be made under this paragraph in the  
23 case of any property, unless (A) such property is in an area  
24 within a locality (other than an urban renewal area) which  
25 the governing body of the locality has determined, and so



1 certifies to the Secretary, contains a substantial number of  
2 structures in need of such repairs and improvements, (B)  
3 there is in effect for the locality a workable program meeting  
4 the requirements of section 101 (c), and (C) the area is  
5 scheduled for rehabilitation or concentrated code enforcement  
6 within a reasonable time, and such repairs and improvements  
7 to any property are consistent with the plan for rehabilita-  
8 tion or concentrated code enforcement.”

9 REHABILITATION IN URBAN RENEWAL AREAS

10 SEC. 504. Section 110 (c) (8) of the Housing Act of  
11 1949 is amended by striking out (1) “guidance purposes,  
12 and”, and (2) the proviso at the end thereof.

13 DISPOSITION OF PROPERTY FOR LOW AND MODERATE  
14 INCOME HOUSING

15 SEC. 505. Section 107 (a) of the Housing Act of 1949  
16 is amended by—

17 (1) inserting “, section 221 (h) (1), section 235  
18 (j) (1), or section 236” after “or (d) (4)”;

19 (2) inserting “or lessee” after “purchaser” where it  
20 appears and “or lease” after “purchase”;

21 (3) striking out “rental or cooperative”; and

22 (4) striking out “moderate” and inserting in lieu  
23 thereof “low or moderate”.

1 GRANTS FOR LOW AND MODERATE INCOME HOUSING IN  
2 OPEN LAND PROJECTS

3 SEC. 506. Section 103 (a) (1) of the Housing Act of  
4 1949 is amended by inserting before the period at the end  
5 thereof the following: “, except that he may contract for  
6 a grant in an amount not to exceed two-thirds of the differ-  
7 ence between the proceeds from any land disposed of pur-  
8 suant to section 107, and the fair value of the land without  
9 regard to such section”.

10 URBAN RENEWAL LOAN CONTRACTS

11 SEC. 507. (a) Section 102 (c) of the Housing Act of  
12 1949 is amended by:

13 (1) striking out “at interest rates lower than pro-  
14 vided in the loan contract” in the first sentence; and

15 (2) inserting before the period at the end of the  
16 first sentence the following: “: *Provided*, That, if at  
17 any time during the undertaking of the project, the inter-  
18 est rate on such a loan from a source other than the  
19 Federal Government is greater than the rate at which  
20 funds could be made available under the Federal loan  
21 contract, the Secretary may make a supplemental grant  
22 to the local public agency in the amount of the difference  
23 between the interest cost from such sources and the



1 interest cost at the contract rate, and no part of the  
2 amount of any such grant shall be required to be con-  
3 tributed as a part of the local grant-in-aid”.

4 (b) Loan contracts outstanding on the date of enact-  
5 ment of this section may be amended to incorporate the  
6 provisions authorized by the amendment contained in sub-  
7 section (a) without regard to the proviso in section 110 (g)  
8 of the Housing Act of 1949.

9 PROJECT COMPLETION PRIOR TO DISPOSITION OF CERTAIN  
10 PROPERTY

11 SEC. 508. (a) Section 106 of the Housing Act of 1949  
12 is amended by adding at the end thereof the following new  
13 subsection:

14 “(i) Upon a determination by the Secretary that (1)  
15 not more than 5 per centum of the total area of land ac-  
16 quired as part of an urban renewal project remains to be  
17 disposed, (2) the local public agency does not expect  
18 to be able, due to circumstances beyond its control, to dis-  
19 pose of such land in the near future, (3) all other project  
20 activities are completed, and (4) the local public agency  
21 has agreed to dispose of or retain such land for uses in ac-  
22 cordance with the urban renewal plan, the urban renewal  
23 project may be deemed completed, and the net project cost  
24 may be computed and the capital grant paid.”

25 (b) Section 110 (f) of such Act is amended by insert-

1 ing before the period at the end thereof the following: “or  
 2 for subsequent disposition or retention as provided under  
 3 section 106 (i) ”.

#### 4 DEMOLITION GRANTS

5 SEC. 509. (a) The first sentence of section 116 (a) of  
 6 the Housing Act of 1949 is amended by inserting after “un-  
 7 sound” the following: “, a harborage or potential harborage  
 8 of rats,”.

9 (b) Section 116 (b) of such Act is amended by insert-  
 10 ing after the comma at the end of clause (2) the following:  
 11 “or will be consistent with a systematic rodent control pro-  
 12 gram being undertaken in the neighborhood,”.

#### 13 AIR RIGHTS SITES IN URBAN RENEWAL AREAS

14 SEC. 510. (a) Section 110 (c) (1) (iv) of the Hous-  
 15 ing Act of 1949 is amended by striking out “for use for indus-  
 16 trial development” and inserting in lieu thereof “for use for  
 17 the development of industrial or educational facilities”.

18 (b) Section 110 (c) (7) of such Act is amended by  
 19 striking out “for industrial development” and inserting in  
 20 lieu thereof “for the development of industrial or educational  
 21 facilities”.

#### 22 INTERIM ASSISTANCE FOR BLIGHTED AREAS

23 SEC. 511. Title I of the Housing Act of 1949 is amended  
 24 by adding after section 117 a new section as follows:



## 1           “INTERIM ASSISTANCE FOR BLIGHTED AREAS

2           “SEC. 118. Notwithstanding any other provision of this  
3 title, the Secretary is authorized to enter into contracts (in  
4 an aggregate amount not to exceed \$20,000,000 in any  
5 fiscal year) to make, and to make, grants as provided in this  
6 section (payable from any grant funds provided under section  
7 103 (b) ) to cities, other municipalities, and counties for the  
8 purpose of assisting such localities in carrying out programs to  
9 alleviate harmful conditions in slum and blighted areas which  
10 are planned for substantial clearance, rehabilitation, or fed-  
11 erally assisted code enforcement in the near future but in  
12 which some immediate public action is needed until clear-  
13 ance, rehabilitation, or code enforcement activities can be  
14 undertaken. Such grants shall not exceed two-thirds (or  
15 three-fourths in the case of any city, other municipality,  
16 or county having a population of fifty thousand or less  
17 according to the most recent decennial census) of the  
18 cost of planning and carrying out programs which may  
19 include (1) the repair of streets, sidewalks, parks, play-  
20 grounds, publicly owned utilities, and public buildings to  
21 meet needs consistent with the short-term continued use  
22 of the area prior to the undertaking of the contemplated  
23 clearance or upgrading activities, (2) the improvement of  
24 private properties to the extent needed to eliminate the most  
25 immediate dangers to public health and safety, (3) the

1 demolition of structures determined to be structurally un-  
2 sound or unfit for human habitation and which constitute a  
3 public nuisance and serious hazard to the public health and  
4 safety, (4) the establishment of temporary public play-  
5 grounds on vacant land within the area, and (5) the im-  
6 provement of garbage and trash collection, street cleaning,  
7 and similar activities. The Secretary shall encourage, wher-  
8 ever feasible, the employment of otherwise unemployed or  
9 underemployed residents of the area in carrying out the  
10 activities and undertakings assisted under this section. The  
11 provisions of sections 101 (c), 106, and 114 shall be appli-  
12 cable to activities and undertakings assisted under this  
13 section to the same extent as if such activities and under-  
14 takings were being carried out in an urban renewal area  
15 as part of an urban renewal project.”

#### 16 REHABILITATION LOANS

17 SEC. 512. (a) Section 312 (a) of the Housing Act of  
18 1964 is amended to read as follows:

19 “SEC. 312. (a) The Secretary is authorized, through  
20 the utilization of local public and private agencies where  
21 feasible, to make loans as herein provided to the owners  
22 and tenants of property to finance the rehabilitation of such  
23 property. No loan shall be made under this section unless—

24 “(1) (A) the property is situated in an urban re-  
25 newal area or an area in which a program of concen-



1       trated code enforcement activity is being carried out  
2       pursuant to section 117 of the Housing Act of 1949,  
3       and the rehabilitation is required to make the property  
4       conform to applicable code requirements or to carry out  
5       the objectives of the urban renewal plan for the area; or

6           “(B) (i) the property is in an area (other than  
7       an area described in subparagraph (A)) which the  
8       governing body of the locality has determined, and so  
9       certifies to the Secretary, contains a substantial number  
10      of structures in need of rehabilitation, (ii) there is in  
11      effect for the locality a workable program meeting the  
12      requirements of section 101(c) of the Housing Act  
13      of 1949, (iii) the property is residential and owner-  
14      occupied, (iv) the property is in need of rehabilitation  
15      and is in violation of the local minimum housing or  
16      similar code, and (v) the area is scheduled for rehabili-  
17      tation or concentrated code enforcement within a reason-  
18      able time, and the rehabilitation of this property is  
19      consistent with the plan for rehabilitation or code  
20      enforcement.

21           “(2) the applicant is unable to secure the necessary  
22      funds from other sources upon comparable terms and  
23      conditions; and

24           “(3) the loan is an acceptable risk taking into  
25      consideration the need for the rehabilitation, the security

1 available for the loan, and the ability of the applicant  
2 to repay the loan.”

3 (b) Section 312 (h) of such Act is amended by striking  
4 out “October 1, 1969” and inserting in lieu thereof “Octo-  
5 ber 1, 1970”.

## 6 LOW AND MODERATE INCOME HOUSING IN RESIDENTIAL

### 7 URBAN RENEWAL AREAS

8 SEC. 513. Section 105 (f) of the Housing Act of 1949  
9 is amended to read as follows:

10 “(f) A majority of the housing units provided in urban  
11 renewal areas which will be redeveloped for predominantly  
12 residential uses and which receive Federal recognition after  
13 the date of enactment of the Housing and Urban Develop-  
14 ment Act of 1968 shall be standard housing units for low  
15 and moderate income families or individuals.”

## 16 TITLE VI—URBAN PLANNING AND FACILITIES

### 17 COMPREHENSIVE PLANNING

18 SEC. 601. Section 701 of the Housing Act of 1954 is  
19 amended to read as follows:

#### 20 “COMPREHENSIVE PLANNING

21 “SEC. 701. (a) In order to assist State and local gov-  
22 ernments in solving planning problems, including those re-  
23 sulting from the increasing concentration of population in  
24 metropolitan and other urban areas and the out-migration  
25 from and lack of coordinated development of resources and



1 services in rural areas; to facilitate comprehensive planning  
2 for urban and rural development, including coordinated  
3 transportation systems, on a continuing basis by such govern-  
4 ments; and to encourage such governments to establish and  
5 improve planning staffs and techniques on an areawide basis,  
6 and to engage private consultants where their professional  
7 services are deemed appropriate by the assisted govern-  
8 ments, the Secretary is authorized to make planning grants  
9 to—

10           “(1) State planning agencies for the provision of  
11 planning assistance to (A) cities and other municipali-  
12 ties having a population of less than 50,000 according  
13 to the latest decennial census, and counties without  
14 regard to population: *Provided*, That grants shall be  
15 made under this paragraph for planning assistance to  
16 counties having a population of 50,000 or more, accord-  
17 ing to the latest decennial census, which are within  
18 metropolitan areas, only if (i) the Secretary finds that  
19 planning and plans for such county will be coordinated  
20 with the program of comprehensive planning, if any,  
21 which is being carried out for the metropolitan area of  
22 which the county is a part, and (ii) the aggregate  
23 amount of the grants made subject to this proviso does  
24 not exceed 15 per centum of the aggregate amount  
25 appropriated, after September 2, 1964, for the purposes

1 of this section, (B) any group of adjacent communities,  
2 either incorporated or unincorporated, having a total  
3 population of less than 50,000 according to the latest  
4 decennial census and having common or related urban  
5 planning problems, (C) cities, other municipalities, and  
6 counties, referred to in paragraph (3) of this subsec-  
7 tion and areas referred to in paragraph (4) of this sub-  
8 section, and (D) Indian reservations;

9 “(2) State, metropolitan, and regional planning  
10 agencies for metropolitan or regional planning;

11 “(3) cities, other municipalities, and counties which  
12 (A) are situated in redevelopment areas or economic  
13 development districts designated by the Secretary of  
14 Commerce under title IV of the Public Works and Eco-  
15 nomic Development Act of 1965, or (B) have suf-  
16 fered substantial damage as a result of a catastrophe  
17 which the President, pursuant to section 2(a) of ‘An  
18 Act to authorize Federal assistance to States and local  
19 governments in major disasters, and for other purposes’,  
20 approved September 30, 1950, as amended (42 U.S.C.  
21 1855a), has determined to be a major disaster;

22 “(4) official governmental planning agencies for  
23 areas where rapid urbanization has resulted or is expected  
24 to result from the establishment or rapid and substantial  
25 expansion of a Federal installation, or for areas where



1 rapid urbanization is expected to result on land developed  
2 or to be developed as a new community approved under  
3 section 1004 of the National Housing Act, or title IV of  
4 the Housing and Urban Development Act of 1968;

5 “(5) States for State and interstate comprehensive  
6 planning and for research and coordination activity re-  
7 lated thereto, including technical and other assistance  
8 for the establishment and operation of intrastate and  
9 interstate planning agencies;

10 “(6) State planning agencies for assistance to dis-  
11 trict planning, or planning for areas within districts,  
12 carried on by or for district planning agencies;

13 “(7) metropolitan and regional planning agencies,  
14 with the approval of the State planning agency or (in  
15 States where no such planning agency exists) of the  
16 Governor of the State, for the provision of planning  
17 assistance within the metropolitan area or region to  
18 cities, other municipalities, counties, groups of adjacent  
19 communities, or Indian reservations described in clauses  
20 (A), (B), (C), and (D) of paragraph (1) of this  
21 subsection;

22 “(8) official governmental planning agencies for  
23 any area where there has occurred a substantial reduc-  
24 tion in employment opportunities as the result of (A)  
25 the closing (in whole or in part) of a Federal instal-

1       lation, or (B) a decline in the volume of Government  
2       orders for the procurement of articles or materials pro-  
3       duced or manufactured in such area;

4       “ (9) tribal planning councils or other tribal bodies  
5       designated by the Secretary of the Interior for planning  
6       for an Indian reservation;

7       “ (10) the various regional commissions established  
8       by the Appalachian Regional Development Act of 1965  
9       or under the Public Works and Economic Develop-  
10      ment Act of 1965 for comprehensive planning for the  
11      regions established under such Acts (or State agencies  
12      or instrumentalities participating in such planning) ; and

13      “ (11) local development districts, certified under  
14      section 301 of the Appalachian Regional Development  
15      Act of 1965, for comprehensive planning for their en-  
16      tire areas, or for metropolitan planning, urban planning,  
17      county planning, or small municipality planning within  
18      such areas in the Appalachian region, and for planning  
19      for Appalachian regional programs.

20   Planning assisted under this section shall, to the maximum  
21   extent feasible, cover entire areas having common or related  
22   development problems. The Secretary shall encourage co-  
23   operation in preparing and carrying out plans among all  
24   interested municipalities, political subdivisions, public agen-  
25   cies, and other parties in order to achieve coordinated devel-



1 opment of entire areas. To the maximum extent feasible,  
2 pertinent plans and studies already made for areas shall be  
3 utilized so as to avoid unnecessary repetition of effort and  
4 expense. Planning which may be assisted under this section  
5 includes the preparation of comprehensive transportation  
6 surveys, studies, and plans to aid in solving problems of traf-  
7 fic congestion, facilitating the circulation of people and goods  
8 in metropolitan and other areas and reducing transportation  
9 needs. Planning carried out with assistance under this section  
10 shall also include a housing element as part of the prepara-  
11 tion of comprehensive land use plans, and this consideration  
12 of the housing needs and land use requirements for housing in  
13 each comprehensive plan shall take into account all available  
14 evidence of the assumptions and statistical basis upon which  
15 the projection of zoning, community facilities, and popula-  
16 tion growth is based, so that the housing needs of both the  
17 region and the local communities studied in the planning will  
18 be adequately covered in terms of existing and prospective  
19 in-migrant population growth. Funds available under this  
20 section shall be in addition to and may be used jointly with  
21 funds available for planning surveys and investigations under  
22 other federally aided programs, and nothing contained in this  
23 section shall be construed as affecting the authority of the  
24 Secretary of Transportation under section 307 of title 23,  
25 United States Code.

1       “(b) A planning grant made under subsection (a)  
2 shall not exceed two-thirds of the estimated cost of the work  
3 for which the grant is made: *Provided*, That such a grant  
4 may be made for up to 75 per centum of such estimated  
5 cost when made for planning primarily for (1) redevelop-  
6 ment areas, local development districts, or economic de-  
7 velopment districts, or portions thereof, described in para-  
8 graphs (3) (A) and (11) of subsection (a), (2) areas  
9 described in subsection (a) (8), and (3) the various regions,  
10 as described in subsection (a) (10). All grants made under  
11 this section shall be subject to terms and conditions pre-  
12 scribed by the Secretary. No portion of any grant made  
13 under this section shall be used for the preparation of plans  
14 for specific public works. The Secretary is authorized, not-  
15 withstanding the provisions of section 3648 of the Revised  
16 Statutes, as amended, to make advance or progress payments  
17 on account of any grant made under this section. There are  
18 authorized to be appropriated for the purposes of this section  
19 not to exceed \$265,000,000 prior to July 1, 1969, and not  
20 to exceed \$390,000,000 prior to July 1, 1970. Of the amount  
21 available prior to July 1, 1969, \$20,000,000 may be used  
22 only for district planning grants under subsection (a) (6),  
23 which amount shall be increased by \$10,000,000 on July 1,  
24 1969. Any amounts appropriated under this section shall  
25 remain available until expended: *Provided*, That of any funds



1 appropriated under this section, not to exceed an aggregate  
2 of \$10,000,000 plus 5 per centum of any funds so appro-  
3 priated may be used by the Secretary for studies, research,  
4 and demonstration projects, undertaken independently or by  
5 contract, for the development and improvement of techniques  
6 and methods for comprehensive planning and for the advance-  
7 ment of the purposes of this section, and for grants to assist  
8 in the conduct of studies and research relating to needed  
9 revisions in State statutes which create, govern, or control  
10 local governments and local governmental operations.

11 “(c) The Secretary is authorized, in areas embracing  
12 several municipalities or other political subdivisions, to en-  
13 courage planning on a unified regional, district, or metro-  
14 politan basis and to provide technical assistance for such  
15 planning and the solution of problems relating thereto.

16 “(d) It is the further intent of this section to encourage  
17 comprehensive planning, including transportation planning,  
18 for States, cities, counties, metropolitan areas, districts, re-  
19 gions, and Indian reservations and the establishment and  
20 development of the organizational units needed therefor. In  
21 extending financial assistance under this section, the Secre-  
22 tary may require such assurances as he deems adequate that  
23 the appropriate State and local agencies are making reason-  
24 able progress in the development of the elements of compre-  
25 hensive planning. The Secretary is authorized to provide

1 technical assistance to State and local governments and their  
2 agencies and instrumentalities, and to Indian tribal bodies,  
3 undertaking such planning and, by contract or otherwise, to  
4 make studies and publish information on related problems.

5 “(e) In the exercise of his responsibilities under this  
6 section, the Secretary shall consult with those officials of  
7 the Federal Government responsible for the administration  
8 of programs of Federal assistance to the States and munici-  
9 palities for various categories of public facilities and other  
10 comprehensively planned activities. He shall, particularly,  
11 consult with the Secretary of Agriculture prior to his ap-  
12 proval of any district planning grants under subsections  
13 (a) (6) and (g), and with the Secretary of Commerce  
14 prior to his approval of any planning grants which include  
15 any part of an economic development district as defined  
16 and designated under the Public Works and Economic De-  
17 velopment Act of 1965. The Secretary of Agriculture and  
18 the Secretary of Commerce, as appropriate, may provide  
19 technical assistance, with or without reimbursement, in con-  
20 nection with the establishment of districts by the Secretary  
21 of Housing and Urban Development and the carrying out  
22 of planning by such districts.

23 “(f) The consent of the Congress is hereby given to any  
24 two or more States to enter into agreements or compacts, not  
25 in conflict with any law of the United States, for cooperative



1 efforts and mutual assistance in the comprehensive planning  
2 for the growth and development of interstate, metropolitan,  
3 or other urban areas, and to establish such agencies, joint or  
4 otherwise, as they may deem desirable for making effective  
5 such agreements and compacts.

6       “(g) In addition to the planning grants authorized by  
7 subsection (a), the Secretary is further authorized to make  
8 grants to organizations composed of public officials whom  
9 he finds to be representative of the political jurisdictions with-  
10 in a metropolitan area, region, or district for the purpose of  
11 assisting such organization to undertake studies, collect data,  
12 develop metropolitan, regional, and district plans and pro-  
13 grams, and engage in such other activities as the Secretary  
14 finds necessary or desirable for the solution of the metropoli-  
15 tan, regional, or district problems in such areas, regions,  
16 or districts. To the maximum extent feasible, all grants under  
17 this subsection shall be for activities relating to all the de-  
18 velopmental aspects of the total metropolitan area, region, or  
19 district including, but not limited to, land use, transporta-  
20 tion, housing, economic development, natural resources de-  
21 velopment, community facilities, and the general improve-  
22 ment of living environments. A grant under this subsection  
23 shall not exceed two-thirds of the estimated cost of the work  
24 for which the grant is made.

25       “(h) In addition to the other grants authorized by this

1 section, the Secretary is authorized to make grants to assist  
2 any city, other municipality, or county in making a survey  
3 of the structures and sites in such locality which are deter-  
4 mined by its appropriate authorities to be of historic or  
5 architectural value. Any such survey shall be designed to  
6 identify the historic structures and sites in the locality, deter-  
7 mine the cost of their rehabilitation or restoration, and pro-  
8 vide such other information as may be necessary or appro-  
9 priate to serve as a foundation for a balanced and effective  
10 program of historic preservation in such locality. The aspects  
11 of any such survey which relate to the identification of his-  
12 toric and architectural values shall be conducted in accord-  
13 ance with criteria found by the Secretary to be comparable  
14 to those used in establishing the National Register main-  
15 tained by the Secretary of the Interior under other provisions  
16 of law; and the results of each such survey shall be made  
17 available to the Secretary of the Interior. A grant under  
18 this subsection shall not exceed two-thirds of the cost of the  
19 survey for which it is made, and shall be made to the appro-  
20 priate agency or entity specified in paragraphs (1) through  
21 (11) of subsection (a) or, if there is no such agency or  
22 entity which is qualified and willing to receive the grant and  
23 provide for its utilization in accordance with this subsection,  
24 directly to the city, other municipality, or county involved.



1 “(i) As used in this section—

2 “(1) The term ‘metropolitan area’ means a stand-  
3 ard metropolitan statistical area, as established by the  
4 Bureau of the Budget, subject, however, to such mod-  
5 ifications or extensions as the Secretary deems to be  
6 appropriate for the purposes of this section.

7 “(2) The term ‘region’ includes (A) all or part of  
8 the area of jurisdiction of one or more units of general  
9 local government, and (B) one or more metropolitan  
10 areas.

11 “(3) The term ‘district’ includes all or part of the  
12 area of jurisdiction of (A) one or more counties, and  
13 (B) one or more other units of general local govern-  
14 ment, but does not include any portion of a metropolitan  
15 area.

16 “(4) The term ‘comprehensive planning’ includes  
17 the following:

18 “(A) preparation, as a guide for governmental  
19 policies and action, of general plans with respect  
20 to (i) the pattern and intensity of land use, (ii)  
21 the provision of public facilities (including trans-  
22 portation facilities) and other government services,  
23 and (iii) the effective development and utilization  
24 of human and natural resources;

1           “(B) long-range physical and fiscal plans for  
2           such action;

3           “(C) programing of capital improvements and  
4           other major expenditures, based on a determination  
5           of relative urgency, together with definitive financ-  
6           ing plans for such expenditures in the earlier years  
7           of the program;

8           “(D) coordination of all related plans and  
9           activities of the State and local governments and  
10          agencies concerned; and

11          “(E) preparation of regulatory and adminis-  
12          trative measures in support of the foregoing.

13          Comprehensive planning for the purpose of districts  
14          shall not include the planning for or assistance to  
15          establishments in relocating from one area to another  
16          or to assist subcontractors whose purpose is to divest,  
17          or whose economic success is dependent upon divest-  
18          ing, other contractors or subcontractors of contracts  
19          theretofore customarily performed by them: *Provided*,  
20          That this limitation shall not be construed to prohibit  
21          assistance for the expansion of an existing business  
22          entity through the establishment of a new branch,  
23          affiliate, or subsidiary of such entity, if the Secretary



1 finds that the establishment of such branch, affiliate, or  
2 subsidiary will not result in an increase in unemploy-  
3 ment in the area of original location or in any other area  
4 where such entity conducts business operations, unless  
5 the Secretary has reason to believe that such branch,  
6 affiliate, or subsidiary is being established with the inten-  
7 tion of closing down the operations of the existing busi-  
8 ness entity in the area of its original location or in any  
9 other area where it conducts such operations.

10 “(5) The term ‘State planning agencies’ includes  
11 official State planning agencies and (in States where no  
12 such planning agency exists) agencies or instrumentalities  
13 of State government designated by the Governor  
14 of the State and acceptable to the Secretary.

15 “(6) The terms ‘metropolitan planning agencies’,  
16 ‘regional planning agencies’, and ‘district planning  
17 agencies’ mean official metropolitan, regional, and dis-  
18 trict planning agencies, or other agencies and instru-  
19 mentalities designated by the Governor (or Governors  
20 in the case of interstate planning), and acceptable to the  
21 Secretary, empowered under State or local law or inter-  
22 state compact to perform metropolitan, regional, or dis-  
23 trict planning, respectively: *Provided*, That such agen-  
24 cies and instrumentalities shall, to the greatest practi-  
25 cable extent, be composed of or responsible to the elected

officials of the unit or units of general local government for whose jurisdictions they are empowered to engage in planning.”

#### PLANNED AREAWIDE DEVELOPMENT

SEC. 602. (a) The heading of title II of the Demonstration Cities and Metropolitan Development Act of 1966 is amended to read as follows: “TITLE II—PLANNED AREAWIDE DEVELOPMENT”.

(b) Section 201 of such Act is amended to read as follows:

#### “FINDINGS AND DECLARATION OF PURPOSE

“SEC. 201. (a) The Congress hereby finds that the welfare of the Nation and of its people is directly dependent upon the sound and orderly development and the effective organization and functioning of our State and local governments.

“It further finds that it is essential that our State and local governments prepare, keep current, and carry out comprehensive plans and programs for their orderly physical development with a view to meeting efficiently all their economic and social needs.

“It further finds that our State and local governments are especially handicapped in this task by the complexity and scope of governmental services required, the multiplicity of political jurisdictions and agencies involved, and the inade-



1 quacy of the operational and administrative arrangements  
2 available for cooperation among them.

3 “It further finds that present requirements for areawide  
4 planning and programing in connection with various Federal  
5 programs have materially assisted in the solution of areawide  
6 problems, but that greater coordination of Federal programs  
7 and additional participation and cooperation are needed from  
8 the States and localities in perfecting and carrying out such  
9 efforts.

10 “(b) It is the purpose of this title to provide through  
11 greater coordination of Federal programs and through sup-  
12 plementary grants for certain federally assisted development  
13 projects, additional encouragement and assistance to States  
14 and localities for making comprehensive areawide planning  
15 and programing effective.”

16 (c) Section 202 of such Act is amended by striking out  
17 “metropolitan”, each place it appears, and inserting in lieu  
18 thereof “areawide”.

19 (d) (1) Section 205 of such Act is amended by striking  
20 out “metropolitan development”, each place it appears, and  
21 inserting in lieu thereof “areawide development”.

22 (2) Such section is further amended by striking out  
23 “metropolitan areas” and “metropolitan area” and inserting  
24 in lieu thereof “areas” and “area”, respectively.

25 (3) Such section is further amended by striking out

1 “metropolitanwide” each place it appears, and inserting in  
2 lieu thereof “areawide”.

3 (4) Such section is further amended by striking out  
4 “metropolitan planning”, each place it appears, and insert-  
5 ing in lieu thereof “areawide planning”.

6 (5) Such section is further amended by inserting “where  
7 appropriate,” after “(B)” in subsection (c) (1).

8 (6) Such section is further amended by striking out in  
9 subsection (f) the following: “within the metropolitanwide  
10 area”.

11 (e) (1) Paragraphs (1) and (2) of section 208 of  
12 such Act are amended by striking out “Metropolitan” and  
13 inserting in lieu thereof “Areawide”.

14 (2) Paragraph (7) of such section is amended—

15 (A) by striking out “or metropolitan or regional”  
16 and inserting in lieu thereof “, metropolitan, regional,  
17 or district”; and

18 (B) by striking out in the parenthetical phrase the  
19 word “metropolitan”.

20 (f) Section 206 (b) of such Act is amended by striking  
21 out the second sentence and inserting in lieu thereof the  
22 following: “Any amounts appropriated under this section  
23 shall remain available until expended, and any amounts  
24 authorized for any fiscal year under this section but not



1 appropriated may be appropriated for any succeeding fiscal  
2 year commencing prior to July 1, 1970.”

3 ADVANCE ACQUISITION OF LAND

4 SEC. 603. (a) Section 701 of the Housing and Urban  
5 Development Act of 1965 is amended by striking out in  
6 clause (3) thereof “in connection with the future construc-  
7 tion of public works and facilities.” and inserting in lieu  
8 thereof “in the future for public purposes.”

9 (b) Section 704 of such Act is amended to read as  
10 follows:

11 “SEC. 704. (a) In order to encourage and assist the  
12 timely acquisition of land planned to be utilized in the future  
13 for public purposes, the Secretary is authorized to make  
14 grants to States and local public bodies and agencies to assist  
15 in financing the acquisition of a fee simple estate or other  
16 interest in such land.

17 “(b) The amount of any grant made under this section  
18 shall not exceed the aggregate amount of reasonable interest  
19 charges on the loans or other financial obligations incurred to  
20 finance the acquisition of such land for a period not in excess  
21 of the lesser of (1) five years from the date of acquisition of  
22 such land, or (2) the period of time between the date on  
23 which the land was acquired and the date its use began for  
24 the purpose for which it was acquired: *Provided*, That where  
25 all or any portion of the cost of such land is not financed

1 through borrowings, the amount of the grant shall be com-  
2 puted on the basis of the aggregate amount of reasonable in-  
3 terest charges that the Secretary determines would have  
4 been required.

5 “(c) No grant shall be made under this section unless  
6 the Secretary determines that the land will be utilized for a  
7 public purpose within a reasonable period of time and that  
8 such utilization will contribute to economy, efficiency, and  
9 the comprehensively planned development of the area. The  
10 Secretary shall in all cases require that land acquired with  
11 the assistance of a grant under this section be utilized for a  
12 public purpose within five years after the date on which a  
13 contract to make such grant is entered into, unless (1) the  
14 Secretary determines that due to unusual circumstances a  
15 longer period of time is necessary and in the public interest,  
16 and (2) reports such determination promptly to the Com-  
17 mittees on Banking and Currency of the Senate and House  
18 of Representatives.

19 “(d) No land acquired with assistance under this sec-  
20 tion shall, without approval of the Secretary, be diverted  
21 from the purpose originally approved. The Secretary shall  
22 approve no such diversion unless he finds that the diversion  
23 is in accord with the then applicable comprehensive plan for  
24 the area. In cases of a diversion of land to other than a pub-



1   lic purpose, the Secretary may require repayment of the  
2   grant, or substitution of land of approximately equal fair  
3   market value, whichever he deems appropriate. An interim  
4   use of the land for a public or private purpose in accordance  
5   with standards prescribed by the Secretary, or approved by  
6   him, shall not constitute a diversion within the meaning of  
7   this subsection.

8       “(e) Notwithstanding any other provision of law, no  
9   project for which land is acquired with assistance under  
10   this section shall, solely as a result of such advance acqui-  
11   sition, be considered ineligible for the purpose of any other  
12   Federal loan or grant program, and the amount of the pur-  
13   chase price paid for the land by the recipient of a grant  
14   under this section may be considered an eligible cost for the  
15   purpose of such other Federal loan or grant program.”

16               WATER AND SEWER FACILITIES PROGRAM

17       SEC. 604. (a) Section 702 (c) of the Housing and  
18   Urban Development Act of 1965 is amended by striking  
19   out “July 1, 1968” and inserting in lieu thereof “October 1,  
20   1969”.

21       (b) Section 702 of such Act is amended by adding at  
22   the end thereof a new subsection as follows:

23       “(d) In the administration of this section the Secretary  
24   shall require that, to the greatest extent practicable, new  
25   job opportunities be provided for unemployed or underem-

1   ployed persons in connection with projects the financing of  
2   which is assisted under this section.”

3   AUTHORIZATIONS FOR THE WATER AND SEWER FACILITIES,  
4       NEIGHBORHOOD FACILITIES, AND ADVANCE ACQUISI-  
5       TION OF LAND PROGRAMS

6       SEC. 605. (a) Section 708 (a) of the Housing and  
7   Urban Development Act of 1965 is amended by adding at  
8   the end thereof the following: “In addition, there is author-  
9   ized to be appropriated for grants under section 702 not to  
10   exceed \$115,000,000 for the fiscal year commencing on July  
11   1, 1969.”

12       (b) Section 708 (b) of such Act is amended by striking  
13   out “July 1, 1969” and inserting in lieu thereof “July 1,  
14   1970”.

15       OPEN-SPACE LAND PROGRAM

16       SEC. 606. (a) Section 702 (b) of the Housing Act of  
17   1961 is amended to read as follows:

18       “(b) There are authorized to be appropriated, for the  
19   purpose of making grants under this title, not to exceed  
20   \$310,000,000 prior to July 1, 1969, and not to exceed  
21   \$460,000,000 prior to July 1, 1970. Any funds so appro-  
22   priated shall remain available until expended.”

23       (b) Section 708 (b) of such Act is amended by striking  
24   out “\$50,000” and inserting in lieu thereof “\$125,000”.



1 AUTHORIZE THE MAKING OF FEASIBILITY STUDIES IN THE  
2 PUBLIC WORKS PLANNING ADVANCES PROGRAM

3 SEC. 607. Section 702 (a) of the Housing Act of 1954  
4 is amended by inserting after "to aid in financing the cost of"  
5 the following: "feasibility studies,".

6 TITLE VII—URBAN MASS TRANSPORTATION  
7 GRANT AUTHORIZATIONS

8 SEC. 701. (a) Section 4 (b) of the Urban Mass Trans-  
9 portation Act of 1964 is amended by (1) striking out the  
10 word "and" where it first appears in the first sentence, and  
11 (2) inserting before the period at the end of the first sen-  
12 tence "; and \$190,000,000 for fiscal year 1970".

13 (b) Section 6 (c) of such Act is amended by (1) strik-  
14 ing out "\$50,000,000" and inserting in lieu thereof "\$56,-  
15 000,000", and (2) inserting at the end thereof the follow-  
16 ing: "On or after July 1, 1969, the Secretary may make  
17 available to finance projects under this section such additional  
18 sums out of the grant authorization provided in section 4 (b)  
19 as he deems appropriate."

20 DEFINITION OF MASS TRANSPORTATION

21 SEC. 702. Section 12 (c) (5) of the Urban Mass Trans-  
22 portation Act of 1964 is amended to read as follows:

23 "(5) the term 'mass transportation' means trans-  
24 portation by bus, rail, or other conveyance, either pub-  
25 licly or privately owned, which provides to the public

1       general or special service (but not including school buses  
2       or charter or sightseeing service) on a regular and con-  
3       tinuing basis.”

4   EXTENSION OF EMERGENCY PROGRAM UNDER THE URBAN  
5       MASS TRANSPORTATION ACT

6       SEC. 703. Section 5 of the Urban Mass Transportation  
7   Act of 1964 is amended by striking out “November 1, 1968”  
8   and inserting in lieu thereof “July 1, 1970”.

9       NON-FEDERAL SHARE OF NET PROJECT COST

10      SEC. 704. (a) Section 4 (a) of the Urban Mass Trans-  
11   portation Act of 1964 is amended by striking out the last  
12   sentence and inserting in lieu thereof the following: “The  
13   remainder of the net project cost shall be provided, in cash,  
14   from sources other than Federal funds. Not more than 50 per  
15   centum of such remainder may be provided from other than  
16   public sources, and any public or private transit system funds  
17   shall be provided solely from undistributed cash surpluses,  
18   replacement or depreciation funds or reserves available in  
19   cash, or new capital; except that in cases of demonstrated  
20   fiscal inability of an applicant actively engaged in preparing  
21   and effectuating a program for a unified or officially coordi-  
22   nated urban transportation system as part of the comprehen-  
23   sively planned development of the urban area, such re-  
24   mainder may be provided from other than public sources. No  
25   refund or reduction of the remainder of the net project cost



1 shall be made at any time unless there is at the same time a  
2 refund of a proportional amount of the Federal grant.”

3 (b) Section 5 of such Act is amended by striking out the  
4 last sentence and inserting in lieu thereof the following: “The  
5 remainder of the net project cost shall be provided, in cash,  
6 from sources other than Federal funds. Not more than 50  
7 per centum of such remainder may be provided from other  
8 than public sources, and any public or private transit system  
9 funds shall be provided solely from undistributed cash sur-  
10 pluses, replacement or depreciation funds or reserves avail-  
11 able in cash, or new capital; except that in cases of demon-  
12 strated fiscal inability of an applicant actively engaged in  
13 preparing and effectuating a program for a unified or offi-  
14 cially coordinated urban transportation system as part of  
15 the comprehensively planned development of the urban area,  
16 such remainder may be provided from other than public  
17 sources. No refund or reduction of the remainder of the net  
18 project cost shall be made at any time unless there is at the  
19 same time a refund of a proportional amount of the Federal  
20 grant.”

## 21 TITLE VIII—SECONDARY MORTGAGE MARKET

### 22 PURPOSES

23 SEC. 801. The purposes of this title include the partition  
24 of the Federal National Mortgage Association as heretofore  
25 existing into two separate and distinct corporations, each of

1 which shall have continuity and corporate succession as a  
2 separated portion of the previously existing corporation. One  
3 of such corporations, to be known as Federal National Mort-  
4 gage Association, will be a Government-sponsored private  
5 corporation, will retain the assets and liabilities of the pre-  
6 viously existing corporation accounted for under section 304  
7 of the Federal National Mortgage Association Charter Act.  
8 and will continue to operate the secondary market operations  
9 authorized by such section 304. The other, to be known as  
10 Government National Mortgage Association, will remain in  
11 the Government, will retain the assets and liabilities of the  
12 previously existing corporation accounted for under sections  
13 305 and 306 of such Act, and will continue to operate the  
14 special assistance functions and management and liquidating  
15 functions authorized by such sections 305 and 306.

16 AMENDMENTS TO THE FEDERAL NATIONAL MORTGAGE  
17 ASSOCIATION CHARTER ACT

18 SEC. 802. (a) The heading of title III of the National  
19 Housing Act is amended by striking out "FEDERAL NA-  
20 TIONAL MORTGAGE ASSOCIATION" and inserting in  
21 lieu thereof "NATIONAL MORTGAGE ASSOCIATIONS".

22 (b) Section 301 of such Act is amended—

23 (1) by striking out "in the Federal Government a";

24 (2) by striking out "facility for" and inserting in

25 lieu thereof "facilities for";



1           (3) by striking out “of such facility” and inserting  
2           in lieu thereof “thereof”;

3           (4) by striking out “facility to” and inserting in  
4           lieu thereof “facilities to”; and

5           (5) by striking out “the existing mortgage port-  
6           folio of the Federal National Mortgage Association” and  
7           inserting in lieu thereof “federally owned mortgage  
8           portfolios”.

9           (c) Section 302 (a) of such Act is amended—

10           (1) by inserting “(1)” immediately following  
11           “(a)”;

12           (2) by striking out “(hereinafter referred to as  
13           the ‘Association’)”; and

14           (3) by adding at the end thereof the following  
15           new paragraph:

16           “(2) On the effective date established pursuant to sec-  
17           tion 808 of the Housing and Urban Development Act of  
18           1968, the body corporate described in the foregoing para-  
19           graph shall cease to exist in that form and is hereby parti-  
20           tioned into two separate and distinct bodies corporate, each  
21           of which shall have continuity and corporate succession as a  
22           separated portion of the previously existing body corporate,  
23           as follows:

24           “(A) One of such separated portions shall be a body  
25           corporate without capital stock to be known as Government

1 National Mortgage Association (hereinafter referred to as  
2 the Association), which shall be in the Department of  
3 Housing and Urban Development and which shall retain  
4 the assets and liabilities acquired and incurred under sections  
5 305 and 306 prior to such effective date, including any and  
6 all liabilities incurred pursuant to section 302 (c). The Asso-  
7 ciation shall have succession until dissolved by Act of Con-  
8 gress. It shall maintain its principal office in the District of  
9 Columbia and shall be deemed, for purposes of venue in civil  
10 actions, to be a resident thereof. Agencies or offices may be  
11 established by the Association in such other place or places  
12 as it may deem necessary or appropriate in the conduct of  
13 its business.

14 “(B) The other such separated portion shall be a body  
15 corporate to be known as Federal National Mortgage Asso-  
16 ciation (hereinafter referred to as the corporation), which  
17 shall retain the assets and liabilities acquired and incurred  
18 under sections 303 and 304 prior to such effective date. The  
19 corporation shall have succession until dissolved by Act of  
20 Congress. It shall maintain its principal office in the District  
21 of Columbia and shall be deemed, for purposes of venue  
22 in civil actions, to be a resident thereof.”

23 (d) Section 302 (b) of such Act is amended—

24 (1) by striking out “the Association is authorized”



1 and inserting in lieu thereof “each of the bodies corporate  
2 named in subsection (a) (2) is authorized”;

3 (2) by striking out “lend (under section 304) on  
4 the security of,”;

5 (3) by inserting immediately before the colon  
6 “; and the corporation is authorized to lend on the  
7 security of any such mortgages and to purchase, sell,  
8 or otherwise deal in any securities guaranteed by the  
9 Association under section 306 (g)”; and

10 (4) by striking out “no mortgage may be pur-  
11 chased” and inserting in lieu thereof “the Association  
12 may not purchase any mortgage”.

13 (e) Section 302 (c) (1) of such Act is amended by  
14 striking out “, consistent with section 307,”.

15 (f) Section 302 (c) (2) (C) of such Act is amended to  
16 read as follows:

17 “(C) The Department of Housing and Urban  
18 Development.”.

19 (g) Section 302 (c) (2) of such Act is amended by  
20 striking out “incurred by the Federal National Mortgage”  
21 and inserting in lieu thereof “incurred by the”.

22 (h) The heading of section 303 of such Act is amended  
23 to read as follows: “CAPITALIZATION—FEDERAL NATIONAL  
24 MORTGAGE ASSOCIATION”.

25 (i) Section 303 (a) of such Act is amended—

1           (1) by striking out “nonvoting common stock” and  
2     inserting in lieu thereof “common stock, without par  
3     value, which shall be vested with all voting rights, each  
4     share being entitled to one vote with rights of cumula-  
5     tive voting at all elections of directors”;

6           (2) by striking out “nonvoting preferred stock” and  
7     inserting in lieu thereof “nonvoting preferred stock, with  
8     a par value of \$100 per share,”;

9           (3) by striking out the second and third sentences  
10    thereof and inserting in lieu thereof “The free transfera-  
11    bility of the common stock at all times to any person,  
12    firm, corporation, or other entity shall not be restricted  
13    except that, as to the corporation, it shall be transfer-  
14    able only on the books of the corporation.”;

15          (4) by striking out “of the capital surplus and the  
16    general surplus accounts”;

17          (5) by striking out “retire” and inserting in lieu  
18    thereof “retire, at par,”; and

19          (6) by striking out “the Association shall deem  
20    feasible” and inserting in lieu thereof “possible subse-  
21    quent to the effective date established pursuant to section  
22    808 of the Housing and Urban Development Act of  
23    1968”.

24          (j) Section 303 (b) of such Act is amended—



1           (1) by striking out “for its services” and inserting  
2           in lieu thereof “, which may be regarded as elements of  
3           pricing,”; and

4           (2) by striking out the last sentence thereof.

5           (k) Section 303 (c) of such Act is amended—

6           (1) by striking out “(only in denominations of  
7           \$100 or multiples thereof) ”;

8           (2) by inserting immediately after the first sen-  
9           tence thereof “In addition to the shares of common stock  
10          issued under the foregoing sentence, the corporation may  
11          issue additional shares in return for appropriate pay-  
12          ments into capital or capital and surplus. The corpora-  
13          tion shall at all times require each servicer of its mort-  
14          gages to own a minimum amount of common stock of the  
15          corporation, measured by its stated value. Such mini-  
16          mum amount shall not exceed 2 per centum, as deter-  
17          mined from time to time by the corporation with the  
18          approval of the Secretary of Housing and Urban De-  
19          velopment, of the aggregate outstanding principal balances  
20          of all mortgages of the corporation which have been  
21          purchased subsequent to the effective date established  
22          pursuant to section 808 of the Housing and Urban  
23          Development Act of 1968 and which are then serviced  
24          by such servicer for the corporation.”; and

25          (3) by striking out “the general surplus account

1 of the Association shall not be reduced through the pay-  
2 ment of dividends applicable to such common stock  
3 which exceed in the aggregate 5 per centum of the par  
4 value of the outstanding common stock of the Associa-  
5 tion” and inserting in lieu thereof “the aggregate amount  
6 of cash dividends paid on account of any share of such  
7 stock shall not exceed any rate which may be deter-  
8 mined from time to time by the Secretary of Housing  
9 and Urban Development to be a fair rate of return after  
10 consideration of the current earnings and capital condi-  
11 tion of the corporation”.

12 (l) Section 303 (d) of such Act is amended by striking  
13 out “\$225,000,000” and inserting in lieu thereof “\$225,-  
14 000,000; but no such stock may be issued subsequent to the  
15 effective date established pursuant to section 808 of the  
16 Housing and Urban Development Act of 1968”.

17 (m) Section 303 (g) of such Act is repealed.

18 (n) The heading of section 304 of such Act is amended  
19 to read as follows: “SECONDARY MARKET OPERATIONS—FED-  
20 ERAL NATIONAL MORTGAGE ASSOCIATION”.

21 (o) Section 304 (a) (1) of such Act is amended by  
22 striking out “and the Association shall not purchase any  
23 mortgage insured or guaranteed prior to the effective date of  
24 the Housing Act of 1954”.

25 (p) Section 304 (b) of such Act is amended by strik-



1 ing out “earnings, and in” and inserting in lieu thereof  
2 “earnings unless a greater ratio shall be fixed at any time  
3 or from time to time by the Secretary of Housing and Urban  
4 Development. In”.

5 (q) Section 304 (c) of such Act is amended by striking  
6 out “(1) all of the preferred stock of the Association held  
7 by the Secretary of the Treasury has been retired, or (2)”.

8 (r) Sections 303 and 304 of such Act, as amended by  
9 the foregoing subsections of this section, are further  
10 amended—

11 (1) by striking out “Association” each place it ap-  
12 pears and inserting in lieu thereof, in each such place,  
13 “corporation”; and

14 (2) by striking out “Association’s” each place it  
15 appears and inserting in lieu thereof, in each such place,  
16 “corporation’s”.

17 (s) The heading of section 305 of such Act is amended  
18 to read as follows: “SPECIAL ASSISTANCE FUNCTIONS—  
19 GOVERNMENT NATIONAL MORTGAGE ASSOCIATION”.

20 (t) The heading of section 306 of such Act is amended  
21 to read as follows: “MANAGEMENT AND LIQUIDATING  
22 FUNCTIONS—GOVERNMENT NATIONAL MORTGAGE ASSOCIA-  
23 TION”.

24 (u) Subsections (a) and (b) of section 307 of such  
25 Act are repealed.

1 (v) Section 307 (c) of such Act is amended by striking  
2 out "board of directors of the Association" and inserting in  
3 lieu thereof "Secretary of Housing and Urban Development".

4 (w) The heading of section 308 of such Act is amended  
5 to read as follows:

6 "MANAGEMENT".

7 (x) Section 308 of such Act is amended—

8 (1) by inserting "(a)" immediately following  
9 "308";

10 (2) by striking out the first two sentences thereof  
11 and inserting in lieu thereof "All the powers and duties  
12 of the Government National Mortgage Association shall  
13 be vested in the Secretary of Housing and Urban De-  
14 velopment and the Association shall be administered un-  
15 der the direction of the Secretary.";

16 (3) by striking out "the board shall determine" and  
17 inserting in lieu thereof "the Secretary shall determine";

18 (4) by striking out "Association. The chairman of  
19 the board" and inserting in lieu thereof "Association, and  
20 shall have power to adopt, amend, and repeal bylaws  
21 governing the performance of the powers and duties  
22 granted to or imposed upon it by law. The Secretary";

23 (5) by striking out "board of directors," and insert-  
24 ing in lieu thereof "Secretary,";

25 (6) by striking out the last sentence thereof; and



1           (7) by adding at the end thereof the following new  
2 subsection:

3       “(b) The Federal National Mortgage Association shall  
4 have a board of directors which shall consist of fifteen per-  
5 sons, one-third of whom shall be appointed annually by the  
6 Secretary, and the remainder of whom shall be elected annu-  
7 ally by the common stockholders. The board shall at all times  
8 have as members appointed by the Secretary at least one per-  
9 son from the homebuilding industry, at least one person from  
10 the mortgage lending industry, and at least one person from  
11 the real estate industry. Each member of the board of direc-  
12 tors shall be appointed or elected for a term ending on the  
13 date of the next annual meeting of the stockholders, except  
14 that any such member may be removed from office by the  
15 President for good cause. Any elective seat on the board  
16 which becomes vacant after the annual election of the direc-  
17 tors shall be filled by the board, but only for the unexpired  
18 portion of the term. Any appointive seat which becomes  
19 vacant shall be filled by appointment of the Secretary, but  
20 only for the unexpired portion of the term. Within the  
21 limitations of law and regulation, the board shall deter-  
22 mine the general policies which shall govern the opera-  
23 tions of the corporation, and shall have power to adopt,  
24 amend, and repeal bylaws governing the performance of  
25 the powers and duties granted to or imposed upon it by law.

1 The board of directors shall select and effect the appoint-  
2 ment of qualified persons to fill the offices of president and  
3 vice president, and such other offices as may be provided for  
4 in the bylaws. Any member of the board who is a full-time  
5 officer or employee of the Federal Government shall not,  
6 as such member, receive compensation for his services.”.

7 (y) Section 309 (a) of such Act is amended—

8 (1) by striking out “The Association” and insert-  
9 ing in lieu thereof “Each of the bodies corporate named  
10 in section 302 (a) (2)”;

11 (2) by striking out “by its board of directors, to  
12 adopt, amend, and repeal bylaws governing the per-  
13 formance of the powers and duties granted to or imposed  
14 upon it by law;”;

15 (3) by striking out “conduct its business” and in-  
16 serting in lieu thereof “conduct its business without re-  
17 gard to any qualification or similar statute”;

18 (4) by striking out “the Association may deem”  
19 and inserting in lieu thereof “it may deem”; and

20 (5) by striking out “the purposes of the Associa-  
21 tion” and inserting in lieu thereof “its purposes”.

22 (z) Section 309 (c) of such Act is amended—

23 (1) by striking out “(1)”;

24 (2) by striking out “The Association” and insert-



1       ing in lieu thereof “(1) The Government National  
2       Mortgage Association”;

3               (3) by striking out “, and (2) the Association  
4       shall, with respect to its secondary market operations  
5       under section 304 after the cutoff date referred to in  
6       section 303 (d) of this title, pay annually to the Secre-  
7       tary of the Treasury, for covering into miscellaneous  
8       receipts, an amount equivalent to the amount of Federal  
9       income taxes for which it would be subject if it were not  
10      exempt from such taxes with respect to such secondary  
11      market operations”; and

12              (4) by adding at the end thereof the following new  
13      paragraph:

14      “(2) The Federal National Mortgage Association, in-  
15      cluding its franchise, capital, reserves, surplus, mortgages or  
16      other security holdings, and income, shall be exempt from  
17      all taxation now or hereafter imposed by any State, terri-  
18      tory, possession, Commonwealth, or dependency of the  
19      United States, or by the District of Columbia, or by any  
20      county, municipality, or local taxing authority, except that  
21      any real property of the corporation shall be subject to State,  
22      territorial, county, municipal, or local taxation to the same  
23      extent as other real property is taxed.”

24              (aa) Section 309 (d) of such Act is amended—

1           (1) by inserting “(1)” immediately following  
2       “(d)”;

3           (2) by striking out “Chairman of the Board” and  
4       inserting in lieu thereof “Secretary of Housing and  
5       Urban Development”;

6           (3) by striking out “agents,” and inserting in lieu  
7       thereof “agents of the Government National Mortgage  
8       Association,”; and

9           (4) by adding at the end thereof the following  
10      new paragraph:

11      “(2) The board of directors of the Federal National  
12      Mortgage Association shall have the power to select and  
13      appoint or employ such officers, attorneys, employees, and  
14      agents, to vest them with such powers and duties, and to fix  
15      and to cause the corporation to pay such compensation to  
16      them for their services, as it may determine; and any such  
17      action shall be without regard to the Federal civil service  
18      and classification laws. Appointments, promotions, and sep-  
19      arations so made shall be based on merit and efficiency, and  
20      no political test or qualification shall be permitted or given  
21      consideration. Each officer and employee of the corporation  
22      who is employed by the corporation prior to the termination  
23      of the transitional period referred to in section 810 (b) of  
24      the Housing and Urban Development Act of 1968 and who



1 on the day previous to the beginning of such employment  
2 will have been subject to the civil service retirement law  
3 (subch. III of ch. 83 of title 5, United States Code),  
4 shall, so long as his employment by the corporation con-  
5 tinues without a break in continuity of service, continue  
6 to be subject to such law; and for the purpose of such law  
7 his employment by the corporation without a break in con-  
8 tinuity of service shall be deemed to be employment by the  
9 Government of the United States. The corporation shall con-  
10 tribute to the Civil Service Retirement and Disability Fund  
11 a sum as provided by section 8334 (a) of title 5, United  
12 States Code, except that such sum shall be determined by  
13 applying to the total basic pay (as defined in 5 U.S.C.  
14 8331 (3) and except as hereinafter provided) paid to the  
15 employees of the corporation who are covered by the civil  
16 service retirement law, the per centum rate determined an-  
17 nually by the United States Civil Service Commission to be  
18 the excess of the total normal cost per centum rate of the  
19 civil service retirement system over the employee deduction  
20 rate specified in section 8334 (a) of title 5, United States  
21 Code. The corporation shall also pay into the Civil Service  
22 Retirement and Disability Fund such portion of the cost of  
23 administration of the fund as is determined by the United  
24 States Civil Service Commission to be attributable to its  
25 employees. Notwithstanding the foregoing provisions, there

1 shall not be considered for the purposes of the civil service  
2 retirement law that portion of the basic pay in any one year  
3 of any officer or employee of the corporation which exceeds  
4 the basic pay provided for in section 5312 of title 5, United  
5 States Code, on the last day of such year. Except as provided  
6 in this subsection, the corporation shall not be subject to  
7 the provisions of title 5, United States Code.”

8 (bb) Section 309 (e) of such Act is amended—

9 (1) by striking out “body corporate created by  
10 section 302” and inserting in lieu thereof “bodies cor-  
11 porate named in section 302 (a) (2)”;

12 (2) by inserting “, ‘Government National Mort-  
13 gage Association’,” immediately following “‘Federal  
14 National Mortgage Association’”; and

15 (3) by striking out the second sentence and insert-  
16 ing in lieu thereof “Violations of the foregoing sentence  
17 may be enjoined by any court of general jurisdiction at  
18 the suit of the proper body corporate. In any such suit,  
19 the plaintiff may recover any actual damages flowing  
20 from such violation, and, in addition, shall be entitled to  
21 punitive damages (regardless of the existence or non-  
22 existence of actual damages) of not exceeding \$100 for  
23 each day during which such violation is committed or  
24 repeated.”



1       (cc) Section 309 (g) of such Act is amended to read as  
2 follows:

3       “(g) The Federal Reserve banks are authorized and  
4 directed to act as depositaries, custodians, and fiscal agents  
5 for each of the bodies corporate named in section 302 (a)  
6 (2), for its own account or as fiduciary, and such banks shall  
7 be reimbursed for such services in such manner as may be  
8 agreed upon; and each of such bodies corporate may itself act  
9 in such capacities, for its own account or as fiduciary, and for  
10 the account of others.”

11       (dd) Section 309 of such Act is amended by adding  
12 thereto the following new subsection:

13       “(h) The Secretary of Housing and Urban Develop-  
14 ment shall have general regulatory power over the Federal  
15 National Mortgage Association and shall make such rules  
16 and regulations as shall be necessary and proper to insure  
17 that the purposes of this title are accomplished. No stock,  
18 obligation, security, or other instrument shall be issued by  
19 the corporation without the prior approval of the Secretary.  
20 The Secretary may require that a reasonable portion of  
21 the corporation’s mortgage purchases be related to the  
22 national goal of providing adequate housing for low and  
23 moderate income families, but with reasonable economic  
24 return to the corporation. The Secretary may examine and  
25 audit the books and financial transactions of the corporation,

1 and he may require the corporation to make such reports  
2 on its activities as he deems advisable.”

3 (ee) Section 311 of such Act is amended—

4 (1) by striking out “the Association” and insert-  
5 ing in lieu thereof “either of the bodies corporate named  
6 in section 302 (a) (2)”; and

7 (2) by adding at the end thereof “All stock, obliga-  
8 tions, securities, participations, or other instruments  
9 issued pursuant to this title shall, to the same extent  
10 as securities which are direct obligations of or obliga-  
11 tions guaranteed as to principal or interest by the United  
12 States, be deemed to be exempt securities within the  
13 meaning of laws administered by the Securities and  
14 Exchange Commission; but all such issuances shall be  
15 made only with the approval of the Secretary of Hous-  
16 ing and Urban Development.”

17 PARTICIPATIONS

18 SEC. 803. Section 302 (c) (5) of the Federal National  
19 Mortgage Association Charter Act is amended by inserting  
20 at the end thereof the following: “In the event that the  
21 insufficiency required by the trustee is on account of principal  
22 maturities of outstanding beneficial interests or participations  
23 authorized to be issued pursuant to paragraph (4) of this  
24 subsection, or pursuant hereto, the trustee is authorized to  
25 elect to issue additional beneficial interests or participations



1 for refinancing purposes in lieu of requiring any trustor or  
2 trustors to make payments to the trustee from appropriated  
3 funds or other sources. Each such issue of beneficial in-  
4 terests or participations shall be in an amount determined by  
5 the trustee but not in excess of the aggregate amount which  
6 the trustee would otherwise require the trustor or trustors  
7 to pay from appropriated funds or other sources, and may be  
8 issued without regard to the provisions of paragraph (4)  
9 of this subsection. All refinancing issues of beneficial in-  
10 terests or participations shall be deemed to have been issued  
11 pursuant to the authority contained in the appropriation Act  
12 or Acts under which the beneficial interests or participations  
13 were originally issued.”

14 MORTGAGE-BACKED SECURITIES

15 SEC. 804. (a) Section 304 of the Federal National  
16 Mortgage Association Charter Act is amended by adding at  
17 the end thereof the following new subsection:

18 “(d) To provide a greater degree of liquidity to the  
19 mortgage investment market and an additional means of  
20 financing its operations under this section, the corporation is  
21 authorized to set aside any mortgages held by it under this  
22 section, and, upon approval of the Secretary of the Treasury,  
23 to issue and sell securities based upon the mortgages so set  
24 aside. Securities issued under this subsection may be in the  
25 form of debt obligations or trust certificates of beneficial in-

1 terest, or both. Securities issued under this subsection shall  
2 have such maturities and bear such rate or rates of interest  
3 as may be determined by the corporation with the approval  
4 of the Secretary of the Treasury. Securities issued by the cor-  
5 poration under this subsection shall, to the same extent as  
6 securities which are direct obligations of or obligations guar-  
7 anteed as to principal and interest by the United States, be  
8 deemed to be exempt securities within the meaning of laws  
9 administered by the Securities and Exchange Commission.  
10 Mortgages set aside pursuant to this subsection shall at all  
11 times be adequate to enable the corporation to make timely  
12 principal and interest payments on the securities issued and  
13 sold pursuant to this subsection.”

14 (b) Section 306 of such Act is amended by adding at  
15 the end thereof the following new subsection:

16 “(g) The Association is authorized, upon such terms and  
17 conditions as it may deem appropriate, to guarantee the  
18 timely payment of principal of and interest on such trust  
19 certificates or other securities as shall (1) be issued by the  
20 Federal National Mortgage Association under section 304  
21 (d), or by any other issuer approved for the purposes of this  
22 subsection by the Association, and (2) be based on and  
23 backed by a trust or pool composed of mortgages which are  
24 insured under the National Housing Act or title V of the



1 Housing Act of 1949, or which are insured or guaranteed  
2 under the Servicemen's Readjustment Act of 1944 or chap-  
3 ter 37 of title 38, United States Code. The Association  
4 shall collect from the issuer a reasonable fee for any guaranty  
5 under this subsection and shall make such charges as it may  
6 determine to be reasonable for the analysis of any trust or  
7 other security arrangement proposed by the issuer. In the  
8 event the issuer is unable to make any payment of principal  
9 of or interest on any security guaranteed under this sub-  
10 section, the Association shall make such payment as and  
11 when due in cash, and thereupon shall be subrogated fully  
12 to the rights satisfied by such payment. Any Federal, State,  
13 or other law to the contrary notwithstanding, the Association  
14 is hereby empowered, in connection with any guaranty under  
15 this subsection, whether before or after any default, to pro-  
16 vide by contract with the issuer for the extinguishment, upon  
17 default by the issuer, of any redemption, equitable, legal, or  
18 other right, title, or interest of the issuer in any mortgage  
19 or mortgages constituting the trust or pool against which the  
20 guaranteed securities are issued; and with respect to any  
21 issue of guaranteed securities, in the event of default and  
22 pursuant otherwise to the terms of the contract, the mort-  
23 gages that constitute such trust or pool shall become the  
24 absolute property of the Association subject only to the un-  
25 satisfied rights of the holders of the securities based on and

1 backed by such trust or pool. The full faith and credit of the  
2 United States is pledged to the payment of all amounts  
3 which may be required to be paid under any guaranty under  
4 this subsection. There shall be excluded from the total  
5 amounts set forth in subsection (c) the amounts of any  
6 mortgages acquired by the Association as a result of its op-  
7 erations under this subsection.”

8 (c) Section 5136 of the Revised Statutes is amended  
9 by adding at the end thereof the following:

10 “Ninth. To issue and sell securities which are guar-  
11 anteed pursuant to section 306 (g) of the National  
12 Housing Act.”

13 (d) The first proviso of section 21 (a) (1) of the Bank-  
14 ing Act of 1933 is amended by inserting “, or issuing secu-  
15 rities,” immediately following “investment securities”.

16 (e) Section 5 (c) of the Home Owners’ Loan Act of  
17 1933 is amended by adding at the end thereof a new para-  
18 graph as follows:

19 “Any such association may issue and sell securities  
20 which are guaranteed pursuant to section 306 (g) of the  
21 National Housing Act.”

22 SUBORDINATED AND CONVERTIBLE OBLIGATIONS

23 SEC. 805. Section 304 of the Federal National Mort-  
24 gage Association Charter Act is amended by adding thereto



1 (after subsection (d) as added by section 804 of this Act)  
2 the following new subsection:

3 “(e) For the purposes of this section, the corporation  
4 is authorized to issue, upon the approval of the Secretary  
5 of the Treasury, obligations which are subordinated to any  
6 or all other obligations of the corporation, including sub-  
7 sequent obligations. The obligations issued under this sub-  
8 section shall have such maturities and bear such rate or  
9 rates of interest as may be determined by the corporation  
10 with the approval of the Secretary of the Treasury and may  
11 be made redeemable at the option of the corporation before  
12 maturity in such manner as may be stipulated in such  
13 obligations. Any of such obligations may be made convert-  
14 ible into shares of common stock in such manner, at such  
15 price or prices, and at such time or times as may be stipulated  
16 therein. The total principal amount of such subordinated  
17 obligations which may be outstanding at any one time shall  
18 not exceed two times the sum of (1) the capital of the cor-  
19 poration represented by its outstanding common stock and  
20 (2) its surplus and undistributed earnings at such time. The  
21 outstanding total principal amount of such obligations which  
22 are entirely subordinated to the obligations of the corpora-  
23 tion issued or to be issued under subsection (b) shall be  
24 deemed to be capital of the corporation for the purpose of

1 determining the aggregate amount of obligations issued  
2 under subsection (b) which may be outstanding at any  
3 one time. Obligations issued by the corporation under this  
4 subsection shall, to the same extent as securities which are  
5 direct obligations of or obligations guaranteed as to principal  
6 or interest by the United States, be deemed to be exempt  
7 securities within the meaning of laws administered by the  
8 Securities and Exchange Commission. The corporation shall  
9 insert appropriate language in all of its obligations issued  
10 under this subsection clearly indicating that such obliga-  
11 tions, together with the interest thereon, are not guaranteed  
12 by the United States and do not constitute a debt or obliga-  
13 tion of the United States or of any agency or instrumen-  
14 tality thereof other than the corporation. The corporation is  
15 authorized to purchase in the open market any of its obli-  
16 gations outstanding under this subsection at any time and at  
17 any price.”

18 SPECIAL ASSISTANCE AUTHORIZATION

19 SEC. 806. Section 305(c) of the Federal National  
20 Mortgage Association Charter Act is amended—

21 (1) by striking out “and” after “July 1, 1967,”;

22 and

23 (2) by striking out the period and inserting in lieu  
24 thereof “, and by \$250,000,000 on July 1, 1969.”



## AMENDMENTS TO OTHER LAWS

SEC. 807. (a) Section 306 (b) of the Housing Act of 1959 is amended by striking out "Federal National Mortgage Association pursuant" and inserting in lieu thereof "Government National Mortgage Association pursuant".

(b) Section 312 (d) of the Housing Act of 1964 is amended by striking out "Federal" and inserting in lieu thereof "Government".

(c) Section 5 (b) of the Department of Housing and Urban Development Act is amended—

(1) by striking out "The Federal" and inserting in lieu thereof "The Government"; and

(2) by striking out ", and the position of President of said Association is hereby allocated among the positions referred to in section 7 (c) hereof".

(d) Section 7 (b) of the Department of Housing and Urban Development Act is repealed.

(e) Section 101 of the Government Corporation Control Act is amended by striking out "Federal National Mortgage Association" and inserting in lieu thereof "Government National Mortgage Association".

(f) Section 13 (4) (F) of the Public Buildings Act of 1959 is amended by striking out "Federal" and inserting in lieu thereof "Government".

(g) Section 6 (b) of the Participation Sales Act of

1 1966 is amended by striking out “secondary market opera-  
2 tions carried on by the Federal” and inserting in lieu thereof  
3 “the Government”.

4 (h) Section 1820 (e) of title 38, United States Code, is  
5 amended by striking out “Federal National” in three places  
6 and inserting in lieu thereof, in each such place, “Govern-  
7 ment National”.

8 (i) Section 709 of title 18, United States Code, is  
9 amended by striking out “Federal National Mortgage As-  
10 sociation” each place it appears and inserting in lieu thereof,  
11 in each such place, “Government National Mortgage As-  
12 sociation”.

13 (j) Section 5136 of the Revised Statutes is amended  
14 by inserting “or the Government National Mortgage Asso-  
15 ciation” immediately following “Federal National Mortgage  
16 Association”.

17 (k) Section 11 (h) of the Federal Home Loan Bank  
18 Act is amended by inserting “or the Government National  
19 Mortgage Association, in the stock of the Federal National  
20 Mortgage Association” immediately following “Federal Na-  
21 tional Mortgage Association”.

22 (l) Section 16 of the Federal Home Loan Bank Act  
23 is amended by inserting “or the Government National Mort-  
24 gage Association” immediately following “Federal National  
25 Mortgage Association”.



1 (m) Section 5 (c) of the Home Owners' Loan Act of  
2 1933 is amended by inserting "or the Government National  
3 Mortgage Association," immediately following "Federal Na-  
4 tional Mortgage Association" and by inserting "or the stock  
5 of the Federal National Mortgage Association" immediately  
6 after "any other agency of the United States".

7 (n) Section 8 (8) (E) of the Federal Credit Union  
8 Act is amended by inserting "or the Government National  
9 Mortgage Association" immediately following "Federal Na-  
10 tional Mortgage Association".

#### 11 EFFECTIVE DATE

12 SEC. 808. The amendments made by this title shall be  
13 effective from and after a date, no more than one hundred  
14 and twenty days following the date of enactment of this  
15 Act, as established by the Secretary of Housing and Urban  
16 Development. Notice of the establishment of such effective  
17 date shall be published in the Federal Register at least thirty  
18 days prior thereto.

#### 19 SAVINGS PROVISIONS

20 SEC. 809. (a) No cause of action by or against the  
21 Federal National Mortgage Association existing prior to the  
22 effective date established pursuant to section 808 shall abate  
23 by reason of this enactment. Any such cause of action may  
24 thereafter be asserted by or against the appropriate corpo-  
25 ration.

1       (b) No suit, action, or other proceeding commenced  
2 by or against the Federal National Mortgage Association,  
3 or any officer thereof in his official capacity, prior to the  
4 effective date established pursuant to section 808 shall abate  
5 by reason of this enactment. A court may at any time there-  
6 after during the pendency of any such litigation, on its own  
7 motion or that of any party, order that the same may be  
8 maintained by or against the appropriate corporation or the  
9 appropriate corresponding officer thereof.

10                               TRANSITIONAL PROVISIONS

11       SEC. 810. (a) On the effective date established pursuant  
12 to section 808 of this Act, each share of outstanding non-  
13 voting common stock, with a par value of \$100 per share,  
14 of the Federal National Mortgage Association shall be  
15 changed into and shall become one share of voting common  
16 stock, without par value, of such corporation.

17       (b) (1) The provisions of section 308 (b) of the Federal  
18 National Mortgage Association Charter Act (as added by  
19 section 802 (x) (7) of this Act) shall be applicable only  
20 to the extent that its provisions do not conflict with this  
21 subsection.

22       (2) For a transitional period after the effective date  
23 established pursuant to section 808 of this Act, the board of  
24 directors of the Federal National Mortgage Association shall  
25 consist of nine persons. For a term expiring on the date of



1 the first annual meeting of the corporation's stockholders, all  
2 members of the board shall be appointed by the Secretary  
3 of Housing and Urban Development. For a term beginning  
4 on such date, seven members of the board shall be appointed  
5 by the Secretary, and two members shall be elected by the  
6 common stockholders. For subsequent terms beginning prior  
7 to the termination of the transitional period, five members  
8 shall be appointed by the Secretary, and four members shall  
9 be elected by the common stockholders. For each term be-  
10 ginning prior to the termination of the transitional period,  
11 the Secretary shall appoint as a member of the board the  
12 president of the corporation. During the transitional period,  
13 the president of the corporation shall be appointed by the  
14 President, by and with the advice and consent of the Senate.

15 (3) The transitional period referred to in paragraph  
16 (2) shall come to an end at such time as the board of di-  
17 rectors shall find, with the approval of the Secretary, that  
18 not less than one-third of the corporation's common stock  
19 is owned by persons or institutions in the mortgage lending,  
20 homebuilding, real estate, or related businesses; but in no  
21 event shall it end sooner than May 1, 1970, nor later than  
22 May 1, 1973.

23 (c) From the effective date established pursuant to sec-  
24 tion 808 and until the retirement of the last of the outstand-  
25 ing shares of its preferred stock, the Federal National Mort-

1 gage Association shall be deemed to be a wholly owned  
2 corporation for the purposes of the Government Corporation  
3 Control Act. Notwithstanding the foregoing provisions of this  
4 paragraph, the financial transactions of the Federal National  
5 Mortgage Association shall continue to be subject to audit by  
6 the General Accounting Office for such period as there may  
7 be outstanding obligations of the Federal National Mortgage  
8 Association which are guaranteed as to principal or interest  
9 by the Government National Mortgage Association.

10 (d) Those persons who are the officers and employees  
11 of the Federal National Mortgage Association immediately  
12 prior to the effective date established pursuant to section  
13 808 shall become the officers and employees of the Govern-  
14 ment National Mortgage Association on such date. The  
15 Federal National Mortgage Association and the Government  
16 National Mortgage Association shall provide by contract for  
17 the conditions and methods under which and by which the  
18 Federal National Mortgage Association during the transi-  
19 tional period may employ those individuals who are em-  
20 ployees of the Government National Mortgage Association  
21 on such effective date; and may provide by contract for the  
22 operation by either of such corporations of any of the func-  
23 tions of the other. The Secretary of Housing and Urban  
24 Development shall make every reasonable effort to place in  
25 other comparable Federal positions any individuals who are



1 career or career-conditional employees of the Government  
2 National Mortgage Association on such effective date and  
3 who are subsequently during the transitional period neither  
4 employed by the Federal National Mortgage Association nor  
5 retained by the Government National Mortgage Association.

## 6 TITLE IX—NATIONAL HOUSING PARTNERSHIPS

### 7 STATEMENT OF PURPOSE

8 SEC. 901. The Congress finds that the volume of  
9 housing being produced for families and individuals of low  
10 or moderate income must be increased to meet the national  
11 goal of a decent home and a suitable living environment for  
12 every American family, and declares that it is the policy of  
13 the United States to encourage the widest possible partici-  
14 pation by private enterprise in the provision of housing for  
15 low and moderate income families. The Congress has there-  
16 fore determined that one or more private organizations should  
17 be created to encourage maximum participation by private  
18 investors in programs and projects to provide low or mod-  
19 erate income housing.

### 20 CREATION OF CORPORATIONS

21 SEC. 902. (a) There is hereby authorized to be created  
22 a private corporation for profit (hereinafter in this title  
23 referred to as the "corporation"). The corporation will not  
24 be an agency or establishment of the United States Govern-  
25 ment. The corporation shall be subject to the provisions of

1 this title and, to the extent consistent with this title, to the  
2 District of Columbia Business Corporation Act (D.C. Code,  
3 sec. 29-901 et seq.).

4 (b) Whenever the President finds it in the national  
5 interest to do so, he may cause the creation of an additional  
6 corporation or additional corporations to carry out the pur-  
7 poses of this title. All the provisions of this title shall there-  
8 upon become applicable to each such corporation, and to the  
9 limited partnership formed by it pursuant to section 907 of  
10 this title.

11 (c) Nothing in this title shall be construed to preclude  
12 private persons from creating other corporations and organiz-  
13 ing other partnerships, joint ventures, or associations for the  
14 purposes set forth in this title as the purposes of the corpora-  
15 tion and the partnership described in section 907 of this title.

16 PROCESS OF ORGANIZATION

17 SEC. 903. (a) The President of the United States shall  
18 appoint, by and with the advice and consent of the Senate,  
19 incorporators of the corporation, one of whom shall be desig-  
20 nated by the President to serve as chairman. The incorpora-  
21 tors shall serve as the initial board of directors until the first  
22 annual meeting of stockholders or until their successors are  
23 elected and have qualified.

24 (b) The incorporators shall take whatever actions are



1 necessary or appropriate to establish the corporation, includ-  
2 ing the filing of articles of incorporation as approved by the  
3 President.

4 (c) The incorporators shall also arrange for an initial  
5 offering of shares of stock in the corporation and of interests  
6 in the partnership described in section 907 of this title. If the  
7 incorporators deem it advisable in order to carry out the pur-  
8 poses of this title, the initial offering may be made upon  
9 terms which require the purchase of other securities of the  
10 corporation or of interests in such partnership.

11 DIRECTORS

12 SEC. 904. The corporation shall have a board of di-  
13 rectors (hereinafter in this section referred to as the  
14 "board"), consisting of fifteen members. Three members of  
15 the board shall be appointed by the President of the United  
16 States, by and with the advice and consent of the Senate,  
17 effective the date on which the other members are elected,  
18 and for terms of three years or until their successors have  
19 been appointed and have qualified, except that the first three  
20 members of the board so appointed shall continue in office  
21 for terms of one, two, and three years, respectively, and any  
22 member so appointed to fill a vacancy shall be appointed  
23 only for the unexpired term of the director whom he suc-  
24 ceeds. Twelve members of the board shall be elected by the  
25 stockholders.

## FINANCING THE CORPORATION

SEC. 905. The corporation shall have the power to create and issue the number of shares stated in its articles of incorporation. Such shares may be divided into one or more classes, any or all of which classes may consist of shares with par value or shares without par value, with such designations, preferences, voting powers, special or relative rights and such limitations, restrictions, or qualifications thereof as shall be stated in the articles of incorporation. The articles of incorporation may limit or deny the voting power of the shares of any class.

## PURPOSES AND POWERS OF THE CORPORATION

SEC. 906. (a) In order to achieve the objectives and to carry out the purposes of this title, the corporation is authorized to—

(1) plan, initiate, and carry out, pursuant to Federal programs or otherwise, the building or rehabilitation of housing and related facilities primarily for the benefit of families and individuals of low and moderate income;

(2) buy, own, manage, lease, or otherwise acquire or dispose of property in connection with the developments, projects, or undertakings referred to in clause (1) of this subsection (a); and



1           (3) provide such funds as may be necessary to  
2       accomplish the developments, projects, or undertakings  
3       referred to in clause (1) of this subsection (a).

4       (b) Included in the activities authorized to the corpora-  
5       tion for the accomplishment of the purposes indicated in  
6       subsection (a) of this section are, among others not spe-  
7       cifically named—

8           (1) to enter into partnerships, limited partnerships,  
9       joint ventures, and other associations with individuals,  
10      corporations, and private and governmental agencies,  
11      organizations, and institutions;

12          (2) to act as manager or general partner of any  
13      such partnership, venture, or association;

14          (3) to conduct or contract for research and studies  
15      related to the development, demonstration, and evalua-  
16      tion of improved techniques and methods of constructing,  
17      rehabilitating, and maintaining housing;

18          (4) to provide technical assistance to nonprofit  
19      corporations, limited dividend corporations, and others  
20      with respect to the planning, financing, construction,  
21      rehabilitation, maintenance, and management of housing  
22      for low and moderate income families and individuals;

23          (5) to make loans or grants, including grants of  
24      interests in housing and related facilities, to nonprofit  
25      corporations, limited dividend corporations, and others

1 in carrying out its activities under subsection (a) of this  
2 section; and

3 (6) to hire or accept the voluntary services of con-  
4 sultants, experts, advisory boards, and panels to aid the  
5 corporation in carrying out the purposes of this title.

6 (c) To carry out the foregoing purposes and engage in  
7 the foregoing activities, the corporation shall have the usual  
8 powers conferred upon a stock corporation by the District of  
9 Columbia Business Corporation Act.

10 NATIONAL HOUSING PARTNERSHIP

11 SEC. 907. (a) The corporation is authorized to arrange  
12 for the formation, as a separate organization, of a limited  
13 partnership (hereinafter in this title referred to as the "part-  
14 nership") under the District of Columbia Uniform Limited  
15 Partnership Act (D.C. Code, sec. 41-401 et seq.) for the  
16 purpose of engaging in any of the activities authorized for  
17 the corporation under section 906 of this title, and to enter  
18 into a partnership agreement governing the affairs of such  
19 limited partnership.

20 (b) The partnership shall be subject to the provisions,  
21 to the extent consistent with this title, of (1) the District of  
22 Columbia Uniform Limited Partnership Act, and (2) those  
23 provisions of the District of Columbia Uniform Partnership  
24 Act (D.C. Code, sec. 41-301 et seq.) made applicable by  
25 section 6 (2) of that Act (D.C. Code, sec. 41-305 (2) ). Not-



1 withstanding any inconsistency between the provisions of  
2 such Acts, or of any other law, and the provisions of this  
3 section, the partnership organized pursuant to this section  
4 shall be deemed to have the legal status of a limited partner-  
5 ship.

6 (c) The partnership is authorized to enter into partner-  
7 ships, limited partnerships, or joint ventures organized under  
8 applicable State or local law for the purpose of engaging in  
9 lower income housing developments, projects, or undertak-  
10 ings in particular localities.

11 (d) The corporation shall be the general partner in the  
12 partnership. The capital of the partnership and the contri-  
13 butions of the partners shall be in such amounts and at such  
14 times as are set forth in or pursuant to the partnership  
15 agreement.

16 (e) The partnership agreement shall include provi-  
17 sions designed to assure that (1) the partnership shall par-  
18 ticipate in lower income housing developments, projects, or  
19 undertakings in a manner designed to encourage the par-  
20 ticipation therein of local interests, and (2) in any such  
21 development, project, or undertaking the partnership shall  
22 not subscribe to more than 25 per centum (including equity  
23 investments made in services or property) of the aggregate  
24 initial equity investment unless, in the judgment of the cor-  
25 poration as general partner, the balance of the required

1 equity investment is not readily obtainable from other respon-  
2 sible investors residing or doing business in the local  
3 community.

4 (f) The partnership agreement may without limita-  
5 tion (1) permit each of the stockholders of the Corporation  
6 to become a member of the partnership as a limited partner,  
7 (2) authorize the inclusion of other limited partners in ad-  
8 dition to the stockholders of the corporation, (3) provide  
9 that the assignee of the partnership interest of a limited  
10 partner of the partnership who is also a stockholder of the  
11 corporation may not become a substituted limited partner  
12 unless he also acquired the assignor's stock of the corpora-  
13 tion, (4) include provisions requiring that the corporation  
14 as a general partner approve the substitution or addition  
15 of a member of the partnership.

16 (g) A corporation which is a limited partner in the  
17 partnership shall not become liable as a general partner by  
18 reason of the fact that (1) such corporation is a holder of  
19 shares of voting stock of the corporation constituting not  
20 more than 5 per centum of the total number of outstanding  
21 shares of such stock and exercises any of the rights (including  
22 voting rights) of a holder of such shares, and/or (2) a per-  
23 son who is an officer or director of such corporation (or of  
24 another corporation which controls, or is subject to the con-



1 trol of, or is under common control with, such corporation)  
2 is a director of the corporation and performs the duties of  
3 that office. The interest of a limited partner in the partnership  
4 shall not be treated as a stock interest in the corporation,  
5 notwithstanding that such interest of a limited partner may  
6 be proportionate to his stock interest in the corporation.

7 (h) The certificate of the partnership and any amend-  
8 ment thereof required by the District of Columbia Uniform  
9 Limited Partnership Act shall be executed and acknowledged  
10 by the corporation as member and by each other member  
11 of the partnership or his attorney-in-fact duly authorized by  
12 power of attorney in writing. The corporation may execute  
13 and acknowledge the certificate and any amendment thereof  
14 as attorney-in-fact for any member, member to be substi-  
15 tuted or added, or assigning member, by whom the certificate  
16 or amendment is required to be executed and acknowledged  
17 and who has appointed the corporation as such attorney.

18 REPORT TO CONGRESS AND RECORDS

19 SEC. 908. (a) The corporation shall submit an annual  
20 report to the President for transmittal to the Congress within  
21 six months after the end of its fiscal year. The report shall  
22 include a comprehensive and detailed report of the opera-  
23 tions, activities, and financial condition of the corporation  
24 and the partnership under this title.

25 (b) The accounts of the corporation and of the part-

1 nership shall be audited annually in accordance with generally  
2 accepted auditing standards by independent certified public  
3 accountants or independent licensed public accountants certi-  
4 fied or licensed by a regulatory authority of a State or other  
5 political subdivision of the United States.

#### 6 ANTITRUST LAWS

7 SEC. 909. Nothing contained herein shall affect the ap-  
8 plicability of the Federal antitrust laws to the activities of the  
9 corporation and the partnership created under this Act and  
10 of the persons participating therein or in partnerships, limited  
11 partnerships, or joint ventures with either of them.

#### 12 RIGHT TO REPEAL, ALTER, OR AMEND

13 SEC. 910. The right to repeal, alter, or amend this title  
14 at any time is expressly reserved.

#### 15 AMENDMENT TO BANKING LAWS

16 SEC. 911. Paragraph "Seventh" of section 5136 of the  
17 Revised Statutes, as amended (12 U.S.C. 24), is amended  
18 by adding at the end thereof the following: "Notwithstand-  
19 ing any other provision in this paragraph, the association  
20 may purchase for its own account shares of stock issued by  
21 a corporation authorized to be created pursuant to title IX  
22 of the Housing and Urban Development Act of 1968, and  
23 may make investments in a partnership, limited partnership,  
24 or joint venture formed pursuant to section 907 (a) or  
25 907 (c) of that title."



## 1 TITLE X—RURAL HOUSING

2 HOUSING FOR LOW AND MODERATE INCOME PERSONS AND  
3 FAMILIES

4 SEC. 1001. Title V of the Housing Act of 1949 is  
5 amended by adding at the end thereof the following new  
6 section:

7 “LOANS TO PROVIDE OCCUPANT-OWNED, RENTAL, AND CO-  
8 OPERATIVE HOUSING FOR LOW AND MODERATE INCOME  
9 PERSONS AND FAMILIES

10 “SEC. 521. (a) Notwithstanding the provisions of sec-  
11 tions 502, 517 (a), and 515, loans to persons of low or  
12 moderate income under section 502 or 517 (a) (1), and  
13 loans under section 515 to provide rental or cooperative  
14 housing and related facilities for persons and families of  
15 low or moderate income or elderly persons and elderly  
16 families, shall bear interest at a rate prescribed by the  
17 Secretary at not less than a rate determined by the Secre-  
18 tary of the Treasury taking into consideration the current  
19 average market yield on outstanding marketable obligations  
20 of the United States with remaining periods to maturity  
21 comparable to the average maturities of such loans, adjusted  
22 to the nearest one-eighth of 1 per centum, less not to exceed  
23 the difference between the adjusted rate determined by the  
24 Secretary of the Treasury and 1 per centum per annum:  
25 *Provided*, That such a loan may be made only when the

1 Secretary determines that the needs of the applicant for  
2 necessary housing cannot be met with financial assistance  
3 from other sources including assistance under section 235  
4 or 236 of the National Housing Act.

5 “(b) Housing and related facilities provided with loans  
6 described in subsection (a) shall be located in rural areas;  
7 and applicants eligible for such loans under section 502 or  
8 517 (a) (1), or for occupancy of housing provided with  
9 such loans under section 515, shall include otherwise quali-  
10 fied nonrural residents who will become rural residents.

11 “(c) There shall be reimbursed to the Rural Housing  
12 Insurance Fund by annual appropriations the amounts by  
13 which nonprincipal payments made from the fund during  
14 each fiscal year to the holders of insured loans described in  
15 subsection (a) exceed interest due from the borrowers dur-  
16 ing each year; and the Secretary from time to time may  
17 issue notes to the Secretary of the Treasury under section  
18 517 (h) to obtain amounts equal to such unreimbursed excess  
19 payments, pending the annual reimbursement by appro-  
20 priation.”

21 HOUSING FOR RURAL TRAINEES

22 SEC. 1002. Title V of the Housing Act of 1949 is  
23 amended by adding after section 521 (as added by section  
24 1001 of this Act) the following new section:



## 1                   “HOUSING FOR RURAL TRAINEES

2           “SEC. 552. (a) Upon the application of any State or  
3 political subdivision thereof, or any public or private non-  
4 profit organization, the Secretary is authorized, after con-  
5 sultation with the Secretary of Labor, the Secretary of  
6 Health, Education, and Welfare, the Secretary of Housing  
7 and Urban Development, and the Director of the Office of  
8 Economic Opportunity, and after the Secretary determines  
9 that the housing and related facilities cannot reasonably be  
10 provided in any other way, to provide financial and technical  
11 assistance for the establishment, in rural areas, of housing  
12 and related facilities for trainees and their families who are  
13 residents of a rural area and have a rural background, while  
14 such trainees are enrolled and participating in training  
15 courses designed to improve their employment capability.  
16 The selection of training sites and location of housing shall  
17 be made with due regard to the economic viability of the  
18 area, and only after consideration of a labor area survey  
19 and full coordination among all Government agencies having  
20 primary responsibility for administering related programs.

21           “(b) Housing and related facilities assisted under this  
22 section shall be safe and sanitary, constructed in the most eco-  
23 nomical manner, and of modest design, giving due consid-  
24 eration to the purposes to be served and the needs of the  
25 occupants, and may, in the discretion of the Secretary, in-

1 clude mobile family quarters. Design and location shall be  
2 such as to facilitate, as feasible, the use of such housing and  
3 related facilities for other purposes when no longer needed for  
4 the primary purpose.

5 “(c) The applicant shall contribute the necessary land,  
6 or funds to acquire such land, from its own resources, includ-  
7 ing land acquired by donation or from funds repayable under  
8 subsection (e) or borrowed from other sources.

9 “(d) No financial assistance shall be made available  
10 under this section unless, to the extent and for the periods re-  
11 quired by the Secretary, the applicant agrees that—

12 “(1) such housing will be maintained at all times  
13 in a safe and sanitary condition in accordance with stand-  
14 ards prescribed by State or local law, or, in the absence  
15 of such standards, with requirements prescribed by the  
16 Secretary;

17 “(2) priority shall be given at all times in grant-  
18 ing occupancy of such housing and facilities to the  
19 trainees and their families described in subsection (a);  
20 and

21 “(3) rentals charged them shall not exceed amounts  
22 approved by the Secretary after considering the portion  
23 of the actual total family income which the family can  
24 afford to pay for rent while meeting its other immedi-  
25 ate needs during occupancy.



1       “(e) The Secretary may make advances pursuant to  
2 any contract for financial assistance under this section at such  
3 times and in such manner as may be specified in the contract.  
4 Such advances for the purchase of land shall be repayable  
5 with interest and within a period not to exceed thirty-three  
6 years and may be made upon such security, if any, as the  
7 Secretary requires. Advances for other purposes may be  
8 made repayable with or without interest or nonrepayable, as  
9 determined by the Secretary on the basis of the anticipated  
10 income and cost of operation of the housing and related facili-  
11 ties, and the ability of each applicant to finance such facilities.  
12 Any advances shall be limited to cover the capital costs of  
13 constructing such facilities, plus interest on borrowings to  
14 cover such costs.

15       “(f) Should housing and related facilities assisted pur-  
16 suant to a contract under this section be sold to an ineligible  
17 transferee or diverted to a use other than its primary purpose  
18 within a period specified in the contract, all advances made  
19 under such contract shall be repaid to the Secretary, up to the  
20 amount of the sales price or the fair value of the property as  
21 determined by the Secretary, whichever is higher, with inter-  
22 est from the date of the sale or diversion. If no suitable alter-  
23 nate use of the property is available, as determined by the  
24 Secretary, after the purpose of this section can no longer be

1 served, the property shall be returned to its original condition  
2 by the recipient of the assistance.

3 “ (g) Interest charged on advances made under this sec-  
4 tion shall be at a rate, prescribed by the Secretary, which  
5 shall be not less than a rate determined by the Secretary of  
6 the Treasury taking into consideration the current average  
7 market yield on outstanding marketable obligations of the  
8 United States with remaining periods to maturity comparable  
9 to the average maturities of such loans, adjusted to the near-  
10 est one-eighth of 1 per centum, less not to exceed the differ-  
11 ence between the adjusted rate determined by the Secretary  
12 of the Treasury and 1 per centum per annum, as determined  
13 by the Secretary.

14 “ (h) The Secretary shall prescribe regulations to insure  
15 that Federal funds expended under this section are not  
16 wasted or dissipated.

17 “ (i) As used in this section: (1) the term ‘related  
18 facilities’ shall include any necessary community rooms or  
19 buildings, infirmaries, utilities, access roads, water and sewer  
20 services, and the minimum fixed or movable equipment de-  
21 termined by the Secretary to be necessary to make the  
22 housing reasonably habitable by trainees and their families;  
23 and (2) the term ‘trainee’ means any person receiving train-  
24 ing under any federally assisted training program.



1       “(j) There are authorized to be appropriated such sums  
2 as may be necessary to carry out this section.”

3                                   APPROPRIATIONS

4       SEC. 1003. Section 513 of the Housing Act of 1949 is  
5 amended by—

6               (1) striking out “and (e)” and inserting in lieu  
7 thereof “(e)”; and

8               (2) inserting before the period at the end thereof  
9 the following: “; and (f) such sums as may be required  
10 by the Secretary to administer the provisions of sections  
11 235 and 236 of the National Housing Act”.

12                               PURCHASE OF LAND FOR BUILDING SITES

13       SEC. 1004. Section 514 (f) (2) of the Housing Act of  
14 1949 is amended by—

15               (1) striking out “and (B)” and inserting in lieu  
16 thereof “(B)”; and

17               (2) inserting before the semicolon a comma and  
18 the following: “and (C) land necessary for an adequate  
19 site”.

20                               FEDERAL LOAN ADJUSTMENTS

21       SEC. 1005. In the administration of subtitle III of the  
22 Consolidated Farmers Home Administration Act of 1961,  
23 relating to emergency loans, any application for a loan there-  
24 under in an amount of \$30,000 or less may be granted if  
25 such loan is for the repair, rehabilitation, or replacement

1 of property seriously damaged or destroyed as the result  
2 of a major disaster occurring after January 1, 1968, with-  
3 out regard to whether the Secretary of Agriculture finds that  
4 the required financial assistance can be met by private,  
5 cooperative, or other responsible sources (including loans  
6 the Secretary of Agriculture is authorized to make or insure  
7 under any other provision of law).

8 TITLE XI—NATIONAL INSURANCE DEVELOP-  
9 MENT CORPORATION

10 SHORT TITLE

11 SEC. 1101. This title may be cited as the “National  
12 Insurance Development Corporation Act of 1968”.

13 FINDINGS AND DECLARATION OF PURPOSE

14 SEC. 1102 (a) The Congress finds that (1) the vitality  
15 of many American cities is being threatened by the deteriora-  
16 tion of their inner city areas; responsible owners of well-  
17 maintained residential, business, and other properties in many  
18 of these areas are unable to obtain adequate property in-  
19 surance coverage against fire, crime, and other perils; the  
20 lack of such insurance coverage accelerates the deterioration  
21 of these areas by discouraging private investment and re-  
22 stricting the availability of credit to repair and improve  
23 property; and this deterioration poses a serious threat to the  
24 national economy; (2) recent riots and other civil commo-



1 tion in many American cities have brought about abnor-  
2 mally high losses to the property insurance industry for  
3 which adequate reinsurance cannot be obtained at reasonable  
4 cost, and the risk of such losses will make most lines of  
5 property insurance even more difficult to obtain; (3) the  
6 capacity of the property insurance industry to provide ade-  
7 quate insurance is threatened, and the continuity of such  
8 property insurance protection is essential to the extension  
9 of credit in these areas; and (4) the national interest de-  
10 mands urgent action by the Congress to assure that essential  
11 lines of property insurance, including protection against riot  
12 and civil commotion damage, will be available to property  
13 owners at reasonable cost.

14 (b) It is therefore the purpose of this title to (1) en-  
15 courage and assist the various State insurance authorities and  
16 the property insurance industry to develop and carry out  
17 statewide programs which will make necessary property in-  
18 surance coverage against the fire, crime, and other perils  
19 more readily available for residential, business, and other  
20 properties meeting reasonable underwriting standards; and  
21 (2) provide a Federal program of reinsurance against abnor-  
22 mally high property insurance losses resulting from riots and  
23 other civil commotion and placing appropriate financial  
24 responsibility upon the States to share in such losses.

1       AMENDMENT OF THE NATIONAL HOUSING ACT

2       SEC. 1103. The National Housing Act is amended by  
3 adding at the end thereof the following new title:

4           “TITLE XII—NATIONAL INSURANCE

5                   DEVELOPMENT CORPORATION

6       “CREATION AND DISSOLUTION OF NATIONAL INSURANCE

7                   DEVELOPMENT CORPORATION

8       “SEC. 1201. (a) There is created within the Depart-  
9 ment of Housing and Urban Development, under the author-  
10 ity of the Secretary, a body corporate to be known as the  
11 National Insurance Development Corporation (hereinafter  
12 referred to as the ‘Corporation’).

13       “(b) (1) The powers of the Corporation under this title  
14 shall terminate on April 30, 1973, except to the extent  
15 necessary—

16           “(A) to continue reinsurance in accordance with  
17 the provisions of section 1223 (b) until April 30, 1976;

18           “(B) to process, verify, and pay claims for rein-  
19 sured losses and perform other necessary functions in  
20 connection therewith; and

21           “(C) to complete the liquidation and termination of  
22 the Corporation.

23       “(2) On April 30, 1976, or as soon thereafter as pos-



1 sible, the Secretary shall submit to the Congress for approval,  
2 a plan for the liquidation and termination of the Corporation.

3 "EXECUTIVE DIRECTOR

4 "SEC. 1202. (a) Subject to the provisions of section  
5 1201 (a), the management of the Corporation shall be vested  
6 in an Executive Director who shall be appointed by the  
7 President, by and with the advice and consent of the Senate.

8 "(b) The Executive Director shall not be an officer,  
9 director, or employee of any private insurance company  
10 nor shall he hold any stock in any such company.

11 "ADVISORY BOARD, MEETINGS, DUTIES, COMPENSATION,

12 AND EXPENSES

13 "SEC. 1203. (a) (1) There is established an Advisory  
14 Board (hereinafter called the 'Board') consisting of nine-  
15 teen members appointed by the Secretary. Members of the  
16 Board shall be selected from among representatives of the  
17 general public, the insurance industry, State and local gov-  
18 ernments, including State insurance authorities, and the  
19 Federal Government. Of these members of the Board, not  
20 more than six shall be regular, full-time employees of the  
21 Federal Government, and not less than four shall be repre-  
22 sentatives of the private insurance industry and not less than  
23 four shall be representatives of State insurance authorities.

24 "(2) The Secretary shall designate a Chairman and a  
25 Vice Chairman of the Board.

1       “(3) Each member shall serve for a term of two years  
2 or until his successor has been appointed, except that no  
3 person who is appointed while a full-time employee of a  
4 State or the Federal Government shall serve in such position  
5 after he ceases to be so employed, unless he is reappointed.

6       “(4) Any member appointed to fill a vacancy occurring  
7 prior to the expiration of the term for which his predecessor  
8 was appointed shall be appointed for the remainder of that  
9 term.

10       “(b) The Chairman shall preside at all meetings, and  
11 the Vice Chairman shall preside in the absence or disability  
12 of the Chairman. The Board may, in the absence of both the  
13 Chairman and Vice Chairman, elect any member to act as  
14 Chairman pro tempore. The Board shall meet at such times  
15 and places as it may fix and determine, but shall hold at least  
16 four regularly scheduled meetings a year. Special meetings  
17 may be held at the call of the Chairman or any three mem-  
18 bers of the Board.

19       “(c) The Board shall review the general policies of the  
20 Corporation, and shall advise the Secretary and the Corpora-  
21 tion with respect thereto, and shall perform such other func-  
22 tions as specified in this title.

23       “(d) The members of the Board shall not, by reason of  
24 such membership, be deemed to be employees of the United  
25 States, and such members, except those who are regular full-



1 time employees of the Government, shall receive for their  
2 services, as members, the per diem equivalent to the rate for  
3 GS-18 when engaged in the performance of their duties, and  
4 each member of the Board shall be allowed travel expenses  
5 including per diem in lieu of subsistence, as authorized by  
6 section 5703 of title 5, United States Code, for persons in  
7 the Government service employed intermittently.

8 "DEFINITIONS

9 "SEC. 1204. (a) When used in this title, unless the  
10 context otherwise requires, the term—

11 " (1) 'environmental hazard' means any hazardous  
12 condition that might give rise to loss under an insurance  
13 contract, but which is beyond the control of the property  
14 owner;

15 " (2) 'essential property insurance' means insurance  
16 against direct loss to property as defined and limited  
17 in standard fire policies and extended coverage endorse-  
18 ment thereon, as approved by the State insurance au-  
19 thority, and insurance for such types, classes, and loca-  
20 tions of property against the perils of vandalism, ma-  
21 licious mischief, burglary, or theft, as the Corporation by  
22 rule shall designate. Such insurance shall not include  
23 automobile insurance and shall not include insurance of  
24 such types of manufacturing risks as may be excluded  
25 by the State insurance authority;

1           “(3) ‘inspection facility’ means the rating bureau  
2           or other person designated by the State insurance au-  
3           thority to perform inspections under fair access to in-  
4           surance requirements plans under part A;

5           “(4) ‘insurer’ includes any insurance company or  
6           group of companies under common ownership which is  
7           authorized to engage in the insurance business under the  
8           laws of any State;

9           “(5) ‘pool’ means any pool or association of in-  
10          surance companies in any State which is formed, asso-  
11          ciated, or otherwise created for the purpose of making  
12          property insurance more readily available;

13          “(6) ‘losses resulting from riots or civil disorders’  
14          means losses resulting from riots or civil disorders  
15          under policies for standard lines of property insurance for  
16          which reinsurance is offered under section 1221, as deter-  
17          mined under regulations of the Corporation;

18          “(7) ‘property owner’ means any person having an  
19          insurable interest in real, personal, or mixed real and  
20          personal property;

21          “(8) ‘person’ includes any individual or group of  
22          individuals, corporation, partnership, association, or any  
23          other organized group of persons;

24          “(9) ‘reinsured losses’ means losses on reinsurance



1       claims and all direct expenses incurred in connection  
2       therewith including, but not limited to, expenses for  
3       processing, verifying, and paying such losses;

4           “(10) ‘standard line of property insurance’ in-  
5       cludes—

6           “(A) fire and extended coverage;

7           “(B) vandalism and malicious mischief;

8           “(C) other allied lines of fire insurance;

9           “(D) burglary and theft;

10          “(E) those portions of multiple peril policies  
11       covering similar perils to those provided in (A),  
12       (B), (C), and (D);

13          “(F) inland marine;

14          “(G) glass;

15          “(H) boiler and machinery;

16          “(I) ocean marine;

17          “(J) aircraft physical damage; and

18          “(K) such other lines generally offered to the  
19       public which include protection against damage from  
20       riot or civil commotion as the Corporation by regu-  
21       lation may designate;

22          “(11) ‘State’ means the several States, the Dis-  
23       trict of Columbia, the Commonwealth of Puerto Rico,  
24       Guam, American Samoa, and the Trust Territory of the  
25       Pacific;

1           “(12) ‘urban area’ includes any municipality or  
2           other political subdivision of a State, subject to popula-  
3           tion or other limitations defined in rules and regulations  
4           of the Corporation and such additional areas as desig-  
5           nated by the State insurance authority; and

6           “(13) ‘year’ means a calendar year, fiscal year of  
7           a company, or such other period of twelve months as  
8           designated by the Corporation.

9           “(b) The Corporation is authorized to define, by rules  
10          and regulations, any technical or trade term, insofar as such  
11          definition is not inconsistent with the provisions of this title.

12          “PART A—STATEWIDE PLANS TO ASSURE FAIR ACCESS  
13                                  TO INSURANCE REQUIREMENTS

14                                  “FAIR PLANS

15          “SEC. 1211. (a) Each insurer reinsured under this  
16          title by the Corporation shall cooperate with the State  
17          insurance authority in each State in which it is to acquire  
18          such reinsurance in establishing and carrying out statewide  
19          plans to assure fair access to insurance requirements (FAIR  
20          plans).

21          “(b) Such plans must be approved by, and ad-  
22          ministered under the supervision of, the State insur-  
23          ance authority, or be authorized or required by State law,  
24          and shall be designed to make essential property insurance  
25          more readily available in, but not necessarily limited to,



1 urban areas. Such plans may vary in detail from State to  
2 State because of local conditions, but all plans shall contain  
3 provision that—

4 “(1) no risk shall be written at surcharged rates  
5 or be denied insurance coverage for essential property  
6 insurance unless there has first been an inspection of  
7 the risk, without cost to the owner, by the inspection  
8 facility and a determination by the insurer, based on  
9 information in the inspection report and other sources,  
10 that the risk does not meet reasonable underwriting  
11 standards at the applicable premium rate;

12 “(2) inspections under the plan may be requested  
13 by the property owner, or his representative, an insurer,  
14 an insurance agent, broker or other producer, and such  
15 requests need not be made in writing;

16 “(3) the absence of a building owner or his repre-  
17 sentative during an inspection shall not preclude a tenant  
18 seeking insurance from obtaining an inspection under the  
19 plan;

20 “(4) following the inspection, a copy of the inspec-  
21 tion report shall be promptly sent by the inspection  
22 facility to the insurer or insurers, or to an all-industry  
23 placement facility, referred to under section 1212, as  
24 may be designated by the person requesting the  
25 inspection;

1           “(5) after the inspection report is received by an  
2 insurer, it shall promptly determine if the risk meets  
3 reasonable underwriting standards at the applicable  
4 premium rate, and shall promptly return to the inspec-  
5 tion facility the inspection report and provide an action  
6 report setting forth:

7           “(A) the amount of coverage it agrees to  
8 write; and if the insurer agrees to write the cover-  
9 age with a surcharge (if such a surcharge is au-  
10 thorized by the State insurance authority), the im-  
11 provements necessary before it will provide cover-  
12 age at an unsurcharged premium rate;

13           “(B) the amount of coverage it agrees to write  
14 if certain improvements specified in the action re-  
15 port are made; or

16           “(C) the specific reasons it declines to write  
17 coverage;

18           “(6) if the insurer declines the risk, or agrees to  
19 write it on condition that the property will be improved,  
20 it shall also promptly send a copy of both the inspection  
21 and action reports to the property owner and the State  
22 insurance authority, and at the time the insurer sends  
23 such reports to the property owner, it shall also explain  
24 his right, under applicable State laws, to appeal the  
25 decision of the insurer to the State insurance authority,



1        setting forth the procedures to be followed for such  
2        appeal;

3            “(7) all policies written pursuant to the plan shall  
4        be promptly written after inspection or reinspection and  
5        shall be separately coded so that appropriate records  
6        may be compiled for purposes of performing loss pre-  
7        vention and other studies of the operation of the plan;

8            “(8) the inspection facility shall submit to the  
9        State insurance authority, and to the Corporation,  
10       periodic reports setting forth information, by individual  
11       insurers, including the number of risks inspected under  
12       the plan, the number of risks accepted, the number of  
13       risks conditionally accepted and reinspections made,  
14       the number of risks declined, and such other informa-  
15       tion as the State insurance authority may request;

16           “(9) notice will be given to any policyholder a  
17       reasonable time prior to the cancellation or nonrenewal  
18       of any risk eligible under the plan (except in case of  
19       nonpayment of premium or evidence of incendiarism),  
20       to allow ample time for an application for new coverage  
21       to be made and a new policy to be written under the  
22       plan, and the insurer shall, in writing, explain to the  
23       policyholder the procedures for obtaining an inspection  
24       under the plan in the notice of cancellation or nonre-  
25       newal; and

1           “(10) a continuing public education program will  
2       be undertaken by the participating insurers, agents, and  
3       brokers to assure that the plan receives adequate public  
4       attention.

5           “ALL-INDUSTRY PLACEMENT FACILITY

6       “SEC. 1212. Any plan under this part shall include an  
7       all-industry placement facility doing business with every  
8       insurer participating in the plan in the State, and shall pro-  
9       vide that this facility shall perform certain functions includ-  
10      ing, but not limited to, the following:

11           “(1) upon request by, or on behalf of, any property  
12      owner requesting an inspection under the plan, seek to  
13      distribute risks equitably among the insurers with which  
14      it is doing business; and

15           “(2) seek to place insurance up to the full insurable  
16      value of the risk to be insured with one or more insurers  
17      with which it is doing business, except to the extent that  
18      deductibles, percentage participation clauses, and other  
19      underwriting devices are employed to meet special prob-  
20      lems of insurability.

21           “INDUSTRY COOPERATION

22       “SEC. 1213. (a) Every insurer seeking reinsurance from  
23       the Corporation shall file a statement with the State insur-  
24       ance authority in each State in which it is participating in  
25       such plan, pledging its full participation and cooperation in



1 carrying out the plan, and shall file a copy of such statement  
2 with the Corporation.

3 “(b) No insurer acquiring reinsurance from the Cor-  
4 poration shall direct any agent or broker or other producer  
5 not to solicit business through such a plan, nor shall any  
6 agent, broker, or other producer be penalized by such insurer  
7 in any way for submitting applications for insurance to an  
8 insurer under the plan.

9 “PLAN EVALUATION

10 “SEC. 1214. (a) In accordance with such rules and  
11 regulations as the Corporation may prescribe, the State  
12 insurance authority shall—

13 “(1) transmit to the Corporation any proposed or  
14 adopted plan, or amendments thereto; and

15 “(2) advise the Corporation, from time to time,  
16 concerning the operation of the plan, its effectiveness in  
17 providing essential property insurance, and the need to  
18 form a pool of insurers or adopt other programs to make  
19 essential property insurance more readily available in  
20 urban areas of the State.

21 “(b) The Corporation may, after full consultation with  
22 the Board, by rules and regulations, modify the plan criteria  
23 set forth under this part, if it finds, on the basis of experience,  
24 that such action is necessary or desirable to carry out the  
25 purposes of this title. The Corporation may also, with respect

1 to any State, waive compliance with one or more of the plan  
2 criteria, upon certification by the State insurance authority  
3 that compliance is unnecessary or inadvisable under local  
4 conditions or State law.

5 "PART B—REINSURANCE COVERAGE

6 "REINSURANCE OF LOSSES FROM RIOTS OR CIVIL  
7 DISORDERS

8 "SEC. 1221. (a) (1) The Corporation is authorized to  
9 offer to any insurer or pool, subject to the conditions set forth  
10 in section 1223, reinsurance against property losses resulting  
11 from riots or civil disorders in any one or more States.

12 "(2) Reinsurance shall be offered to any such insurer  
13 only on all standard lines of property insurance enumerated  
14 under subparagraphs (A) through (E) of section 1204 (a)  
15 (10) together, and any insurer or pool purchasing such  
16 reinsurance shall also be eligible to purchase reinsurance  
17 on any one or more standard lines of property insurance  
18 enumerated under subparagraphs (F) through (J) of  
19 section 1204 (a) (10) or which may be designated by  
20 regulation pursuant to subparagraph (K) of that section.

21 "(b) Reinsurance coverage under this section may be  
22 provided by the Corporation immediately following the  
23 enactment of this title to any insurer or pool in any State  
24 on a temporary basis, and on such terms and conditions as  
25 may be agreed upon, and coverage under such terms and



1 conditions may be bound with respect to any such insurer  
2 or pool by means of a written binder which shall remain  
3 in force not more than ninety days and shall expire at the  
4 earlier of either—

5 “(1) the termination of such ninety-day period, or

6 “(2) the effective date of any governing contract,  
7 agreement, treaty, or other arrangement entered into  
8 between the insurer or pool and the Corporation under  
9 section 1222 for the purpose of providing reinsurance  
10 coverage against losses resulting from riots or civil  
11 disorders.

12 “(c) No reinsurance will be offered to any insurer or  
13 pool in a State after the expiration of the written binder  
14 entered into under subsection (b), unless there is in effect  
15 in such State a plan as set forth under part A, and the in-  
16 surer is participating in such plan, and unless in those States  
17 where a pool has been established pursuant to State law,  
18 the insurer is participating in such a pool.

19 “REINSURANCE AGREEMENTS AND PREMIUMS

20 “SEC. 1222. (a) During the first year following enact-  
21 ment of this title, the Corporation is authorized to enter into  
22 any contract, agreement, treaty, or other arrangement with  
23 any insurer or pool for reinsurance coverage, in considera-  
24 tion of payment of such premiums, fees, or other charges by  
25 insurers or pools which the Corporation, after full consulta-

1 tion with the Board, deems to be adequate to obtain aggregate  
2 reinsurance premiums for deposit in the National Insurance  
3 Development Fund in excess of the estimated amount of  
4 insured riot losses during the calendar year 1967, on the  
5 assumption that a substantial proportion of the property in-  
6 surance written will be reinsured under this title, and there-  
7 after the Corporation may increase or decrease such premi-  
8 ums for reinsurance if it is found, after full consultation with  
9 the Board and the National Association of Insurance Com-  
10 missioners, that such action is necessary or appropriate to  
11 carry out the purposes of this title.

12 “(b) Reinsurance offered by the Corporation shall re-  
13 imburse an insurer for its total proved and approved claims  
14 for losses resulting from riots or civil disorders during the  
15 term of the reinsurance contract, agreement, treaty, or other  
16 arrangement, in excess of the amount of the insurer’s  
17 retention of such losses as provided in such reinsur-  
18 ance contract, agreement, treaty, or other arrangement  
19 entered into under this section.

20 “(c) Such contracts, agreements, treaties, or other ar-  
21 rangements may include any terms and conditions which  
22 the Corporation deems necessary to carry out the purposes  
23 of this title. The premium rates, terms and conditions of  
24 such contracts with insurers or pools, throughout the coun-  
25 try, in any one year shall be uniform.



1       “(d) Any contract, agreement, treaty, or other arrange-  
2       ment for reinsurance under this section shall be for a term  
3       expiring on April 30, 1969, and on April 30 each year  
4       thereafter, and shall be entered into within ninety days after  
5       the effective date of this title or within ninety days prior  
6       to April 30 each year thereafter, or within ninety days after  
7       an insurer is authorized to write insurance eligible for re-  
8       insurance in a State which it was not authorized to write  
9       in the preceding year.

10                       “CONDITIONS OF REINSURANCE

11       “SEC. 1223. (a) Subject to the provisions of subsection  
12       (b) reinsurance shall not be offered by the Corporation in  
13       a State or be applicable to insurance policies written in that  
14       State by an insurer—

15               “(1) after one year following the effective date of  
16       this title, or, if the appropriate State legislative body  
17       has not met in regular session during that year, by the  
18       close of its next regular session, in any State which has  
19       not adopted appropriate legislation, retroactive to the  
20       effective date of this title, under which the State, its  
21       political subdivisions, or a governmental corporation or  
22       fund established pursuant to State law, will reimburse  
23       the Corporation, in an amount up to 5 per centum of  
24       the aggregate property insurance premiums earned in  
25       that State during the preceding calendar year on those

1 lines of insurance reinsured by the Corporation in that  
2 State during that year, such that the Corporation may be  
3 reimbursed for amounts paid by it in respect to reinsured  
4 losses that occurred in that State during a calendar year  
5 in excess of reinsurance premiums received in that State  
6 during the same calendar year in which the losses oc-  
7 curred plus the excess of the total premiums received by  
8 the Corporation for reinsurance in that State during a  
9 preceding period measured from the end of the most  
10 recent calendar year with respect to which the Corpora-  
11 tion was reimbursed for losses under this Act over any  
12 amounts paid by the Corporation for reinsured losses that  
13 occurred during this same period;

14 “(2) after thirty days following notification to the  
15 insurer that the Corporation finds (after consultation  
16 with the State insurance authority) that there has not  
17 been adopted by the State, or the property insurance  
18 industry in that State, a suitable program or programs,  
19 in addition to plans under part A, to make essential  
20 property insurance available without regard to environ-  
21 mental hazards, and that such action is necessary to  
22 carry out the purposes of this title, except that this  
23 paragraph shall not become effective until two years  
24 after the effective date of this title, or at such earlier



1       date as the Corporation, after consultation with the  
2       State insurance authority may determine;

3           “(3) after thirty days following notification to any  
4       insurer that the Corporation or the State insurance au-  
5       thority, finds that such insurer is not fully participating—

6           “(A) in the plan in the State;

7           “(B) where it exists, in a pool; and

8           “(C) where it exists, in any other program  
9       found by the Corporation to aid in making essential  
10      property insurance more readily available in the  
11      State:

12      *Provided*, That the Corporation shall not make any  
13      such finding with respect to any insurer unless (i) prior  
14      to making such finding the Corporation has requested  
15      and considered the views of the State insurance author-  
16      ity as to whether such findings should be made, or (ii)  
17      the Corporation has made such a request in writing to  
18      the State insurance authority and such authority has  
19      failed to respond thereto within a reasonable period of  
20      time after receiving such request;

21           “(4) following a merger, acquisition, consolidation  
22      or reorganization involving one or more insurers having  
23      lines of property insurance in the State reinsured by the  
24      Corporation and one or more insurers with or without  
25      such reinsurance, unless the surviving company—

1           “(A) meets the criteria of eligibility for rein-  
2           surance, other than as provided under section 1222  
3           (d) ; and

4           “(B) within ten days pays any reinsurance  
5           premiums due; or

6           “(5) upon receipt of notice from the insurer or pool  
7           that it desires to cancel its reinsurance agreement with  
8           the Corporation in the State.

9           “(b) Notwithstanding the foregoing provisions of this  
10          section, reinsurance may be continued for the term of the  
11          policies written prior to the date of termination or non-  
12          renewal of reinsurance under this section, for as long as the  
13          insurer pays reinsurance premiums annually in such amounts  
14          as determined under section 1222, based on the annual pre-  
15          miums earned on such reinsured policies, and for the pur-  
16          pose of this subsection, the renewal, extension, modification,  
17          or other change in a policy, for which any additional pre-  
18          mium is charged, shall be deemed to be a policy written on  
19          the date such change was made.

20          “RECOVERY OF PREMIUMS: STATUTE OF LIMITATIONS

21          “SEC. 1224. (a) The Corporation, in a suit brought in a  
22          United States district court, shall be entitled to recover from  
23          any insurer the amount of any unpaid premiums lawfully  
24          payable by such insurer to the Corporation.

25          “(b) No action or proceeding shall be brought for the



1 recovery of any premium due to the Corporation for reinsur-  
2 ance, or for the recovery of any premium paid to the Cor-  
3 poration in excess of the amount due to it, unless such action  
4 or proceeding shall have been brought within five years after  
5 the right accrued for which the claim is made, except that,  
6 where the insurer has made or filed with the Corporation a  
7 false or fraudulent annual statement, or other document with  
8 the intent to evade, in whole or in part, the payment of  
9 premiums, the claim shall not be deemed to have accrued  
10 until the discovery by the Corporation.

11 "PART C—PROVISIONS OF GENERAL APPLICABILITY

12 "CLAIMS AND JUDICIAL REVIEW

13 "SEC. 1231. (a) All reinsurance claims for losses under  
14 this title shall be submitted by insurers in accordance with  
15 terms and conditions as may be established by the  
16 Corporation.

17 "(b) (1) Upon disallowance of any claim against the  
18 Corporation under color of reinsurance made available under  
19 this title, or upon refusal of the claimant to accept the amount  
20 allowed upon any such claim, the claimant may institute an  
21 action against the Corporation on such claim in the United  
22 States district court for the district in which a major portion  
23 (in terms of value) of the claim arose.

24 "(2) Any such action must be begun within one year  
25 after the date upon which the claimant received from the

1 Corporation written notice of disallowance or partial dis-  
2 allowance of the claim, and exclusive jurisdiction is hereby  
3 conferred upon United States district courts to hear and  
4 determine such actions without regard to the amount in  
5 controversy.

6 “FISCAL INTERMEDIARIES AND SERVICING AGENTS

7 “SEC. 1232. (a) In order to provide for maximum  
8 efficiency in the administration of the reinsurance program  
9 under this title, and in order to facilitate the expeditious pay-  
10 ment of any funds under such program, the Corporation may  
11 enter into contracts with any insurer, or pool, or other person  
12 for the purpose of providing for the performance of any  
13 or all of the following functions:

14 “(1) estimating or determining any amounts of  
15 payments for reinsurance claims;

16 “(2) receiving from the Corporation and disbursing  
17 and accounting for funds in making payments for rein-  
18 surance claims;

19 “(3) auditing the records of any insurer or other  
20 person to the extent necessary to assure that proper pay-  
21 ments are made;

22 “(4) establishing the basis of liability for reinsur-  
23 ance payments, including the total amount of proved  
24 and approved claims which may be payable to any



1 insurer, and the total amount of premiums earned by  
2 any insurer in the respective States for reinsured lines  
3 of property insurance; and

4 “(5) otherwise assisting in any manner provided  
5 in the contract to further the purposes of this title.

6 “(b) (1) Any such contract may require the insurer,  
7 pool, or other person, or any of its officers or employees certi-  
8 fying payments or disbursing funds pursuant to the contract,  
9 or otherwise participating in carrying out the contract, to  
10 give surety bond to the Corporation in such amounts as it  
11 may deem appropriate.

12 “(2) In the absence of gross negligence or intent to  
13 defraud the Corporation—

14 “(A) no individual designated pursuant to a con-  
15 tract under this section to certify payments shall be  
16 liable with respect to any payment certified by him  
17 under this section; and

18 “(B) no officer of the United States disbursing  
19 funds shall be liable with respect to any otherwise  
20 proper payment by him if it was based on a voucher  
21 signed by an individual designated pursuant to a contract  
22 under this section to certify payments.

23 “NATIONAL INSURANCE DEVELOPMENT FUND

24 “SEC. 1233. (a) To carry out the programs authorized  
25 under this title, the Secretary is authorized to establish a

1 National Insurance Development Fund (hereinafter called  
2 the fund) which shall be available, without fiscal year limi-  
3 tation—

4 “(1) to make such payments as may, from time  
5 to time, be required of the Corporation under reinsur-  
6 ance contracts under this title;

7 “(2) to pay such administrative expenses of the  
8 Corporation as may be necessary or appropriate to carry  
9 out the purposes of this title; and

10 “(3) to repay to the Secretary of the Treasury such  
11 sums, including interest thereon, as may be borrowed  
12 from him under section 520 (b) .

13 “(b) The fund shall be credited with—

14 “(1) reinsurance premiums, fees, or other charges  
15 which may be paid or collected in connection with re-  
16 insurance provided under part B;

17 “(2) interest which may be earned on investments  
18 of the fund;

19 “(3) such amounts as may be advanced to the  
20 fund from appropriations in order to maintain the fund  
21 in an operative condition adequate to meet its liabilities;

22 “(4) receipts from any other source which may,  
23 from time to time, be credited to the fund; and

24 “(5) funds borrowed by the Secretary under sec-  
25 tion 520 (b) and deposited in the fund.



1       “(c) If, after any amounts which may have been ad-  
2 vanced to the fund from appropriations have been credited  
3 to the appropriation from which advanced (including inter-  
4 est thereon at the rate prescribed under section 520 (b) ), the  
5 Secretary determines that the moneys of the fund are in  
6 excess of current needs, he may request the investment of  
7 such amounts as he deems advisable by the Secretary of the  
8 Treasury in obligations issued or guaranteed by the United  
9 States.

10       “RECORDS, ANNUAL STATEMENT, AND AUDITS

11       “SEC. 1234. (a) Any insurer acquiring reinsurance  
12 from the Corporation shall furnish the Corporation with  
13 such summaries and analyses of information in their records  
14 as may be necessary to carry out the purposes of this title,  
15 in such form as the Corporation, in cooperation with the  
16 State insurance authority, shall, by rules and regulations,  
17 prescribe. The Corporation shall make use of State insurance  
18 authority examination reports and facilities to the maximum  
19 extent feasible.

20       “(b) Any insurer acquiring reinsurance from the Corpo-  
21 ration shall file with the Corporation a true and correct copy  
22 of any annual statement, or amendment thereof, filed with  
23 the State insurance authority of its domiciliary State, at the  
24 time it files such statement or amendment with such State  
25 insurance authority.

1       “(c) Any insurer or other person executing any con-  
2 tract, agreement, or other appropriate arrangement with the  
3 Corporation under section 1222 or section 1232, shall keep  
4 reasonable records which fully disclose the total costs of  
5 the programs undertaken or the services being rendered, and  
6 such other records as will facilitate an effective audit of  
7 liability for reinsurance payments by the Corporation.

8       “(d) The Corporation and the Comptroller General of  
9 the United States, or any of their duly authorized repre-  
10 sentatives, shall have access for the purpose of investigation,  
11 audit, and examination to any books, documents, papers,  
12 and records of any insurer or other person that are pertinent  
13 to the costs of any program undertaken for, or services  
14 rendered to, the Corporation. Such audits shall be conducted  
15 to the maximum extent feasible in cooperation with the State  
16 insurance authorities and through the use of their examining  
17 facilities.

18       STUDY OF REINSURANCE AND OTHER PROGRAMS

19       “SEC. 1235. (a) The Corporation is authorized and  
20 directed to conduct a study of reinsurance and other means  
21 to help assure—

22               “(1) an adequate market for burglary and theft and  
23 other property insurance in urban areas; and

24               “(2) adequate availability of surety bonds for con-  
25 struction contractors in urban areas.



1       “(b) The Corporation shall submit the results of this  
2 study, together with appropriate recommendations to the  
3 Secretary for transmittal to the President and the Congress  
4 no later than one year following the date of enactment of  
5 this title.

6                               “OTHER STUDIES

7       “SEC. 1236. (a) The Corporation, in cooperation with  
8 State insurance authorities and the private insurance indus-  
9 try, is authorized to undertake such studies as may be neces-  
10 sary to carry out the purposes of this title, including, but not  
11 limited to, inquiries concerning—

12               “(1) the operation of plans under part A;

13               “(2) the extent to which essential property insur-  
14 ance is unavailable in urban areas;

15               “(3) the market for private reinsurance; and

16               “(4) loss prevention methods and procedures, in-  
17 surance marketing methods, and underwriting tech-  
18 niques.

19                               “GENERAL POWERS OF CORPORATION

20       “SEC. 1237. (a) For the purpose of carrying out its  
21 functions under this title, the Corporation shall have power:

22               “(1) to have a corporate seal which may be altered  
23 at pleasure and to use the same by causing it, or a fac-

1 simile thereof, to be impressed or affixed or in any other  
2 manner reproduced;

3 “(2) to sue and be sued;

4 “(3) to enter into and perform contracts, leases,  
5 cooperative agreements, or other transactions, on such  
6 terms as the Corporation may deem appropriate, and  
7 consent to modification thereof, without regard to sec-  
8 tions 3648 and 3709 of the Revised Statutes, as amended  
9 (31 U.S.C. 529 and 41 U.S.C. 5), and section 322 of  
10 the Act of June 30, 1932, as amended (40 U.S.C.  
11 278a) ;

12 “(4) to appoint and fix the compensation of such  
13 personnel as may be necessary for the conduct of its  
14 business in accordance with the provisions of title 5,  
15 United States Code, governing appointment in the com-  
16 petitive service, and chapter 51 and subchapter III  
17 of chapter 53 of such title relating to classification and  
18 General Schedule pay rates, and to obtain the services  
19 of experts and consultants in accordance with section  
20 3109 of title 5, United States Code, at rates for indi-  
21 viduals not to exceed the per diem equivalent for  
22 GS-18;

23 “(5) except as may be otherwise provided in this



1 title, in the Government Corporation Control Act, or in  
2 any other laws specifically applicable to Government  
3 corporations, to determine the necessity for and the char-  
4 acter and amount of its obligations and expenditures and  
5 the manner in which they shall be incurred, allowed,  
6 paid, and accounted for, except that necessary expenses  
7 in connection with the payment of reinsured losses, in-  
8 cluding any audits or other inquiries, shall be considered  
9 nonadministrative expenses;

10 “(6) to issue such rules and regulations deemed  
11 necessary or appropriate by the Executive Director,  
12 after full consultation with the Board, after notice, and  
13 hearing if granted, as required by the Administrative  
14 Procedure Act, to carry out the purposes of this title;  
15 and

16 “(7) to exercise all powers specifically granted by  
17 the provisions of this title and such incidental powers as  
18 are necessary to carry out the purposes of this title.

19 “(b) All suits of a civil nature at common law or in  
20 equity to which the Corporation shall be a party shall be  
21 deemed to arise under the laws of the United States, except  
22 that no attachment, injunction, garnishment, or other similar  
23 process, mesne or final, shall be issued against the Corpora-  
24 tion or its property.

1 “SERVICES AND FACILITIES OF OTHER AGENCIES—UTILIZA-  
2 TION OF PERSONNEL, SERVICES, FACILITIES, AND  
3 INFORMATION

4 “SEC. 1238. The Corporation may, with the consent of  
5 the agency concerned, accept and utilize on a reimbursable  
6 basis, the officers, employees, services, facilities, and infor-  
7 mation of any agency of the Federal Government, except  
8 that any such agency having custody of any data relating  
9 to any of the matters within the jurisdiction of the Corpora-  
10 tion shall, to the extent permitted by law, upon request of  
11 the Corporation, make such data available to the Corpora-  
12 tion without reimbursement.

13 “ADVANCE PAYMENTS AND FINALITY OF CERTAIN  
14 FINANCIAL TRANSACTIONS

15 “SEC. 1239. (a) Notwithstanding the provisions of  
16 any other law to the contrary, any financial transaction  
17 relating to reinsurance under this title shall be final and con-  
18 clusive upon all officers of the United States.

19 “(b) Any payments which are made under the authority  
20 of this title may be made, after necessary adjustments on  
21 account of previously made underpayments or overpayments,  
22 in advance or by way of reimbursement. Payments by the  
23 Corporation may be made in such installments and on such  
24 conditions as the Corporation may determine.



## 1 "TAXATION

2 "SEC. 1240. (a) The Corporation, including its re-  
3 serves, surplus, and income shall be exempt from all taxation  
4 now or hereafter imposed by the United States, or by any  
5 State, or any subdivision thereof, except any real property  
6 acquired by the Corporation as a result of reinsurance shall  
7 be subject to taxation by any State or political subdivision  
8 thereof, to the same extent, according to its value as other  
9 real property is taxed.

10 "(b) Any measures undertaken by any State to meet or  
11 to fund its obligations under section 1223 (a) (1) shall not  
12 be the subject of any retaliatory or fiscal imposition by any  
13 other State.

## 14 "ANNUAL REPORT

15 "SEC. 1241. The Secretary shall include in his annual  
16 report a report of operations of the Corporation and its  
17 activities.

## 18 "APPROPRIATIONS

19 "SEC. 1242. There are hereby authorized to be appro-  
20 priated such sums as may be necessary to carry out this  
21 title."

## 22 FINANCING

23 SEC. 1104. Section 520 (b) of the National Housing Act  
24 is amended by inserting "(1)" after the word "necessary"  
25 in the first sentence, and by striking out the period at the end

1 of such sentence and inserting in lieu thereof “, and (2) to  
2 make payments for reinsured losses under title XII of this  
3 Act.”.

4 GOVERNMENT CORPORATION CONTROL ACT

5 SEC. 1105. Section 101 of the Government Corporation  
6 Control Act is amended by inserting after “Federal Housing  
7 Administration,” “National Insurance Development Cor-  
8 poration,”.

9 COMPENSATION OF EXECUTIVE DIRECTOR

10 SEC. 1106. Section 5315 of title 5, United States Code,  
11 is amended by inserting the following new paragraph at the  
12 end thereof:

13 “(90) Executive Director, National Insurance Develop-  
14 ment Corporation.”

15 CLARIFYING AMENDMENTS TO ACTS REFERRING TO  
16 DISASTERS

17 SEC. 1107. (a) Section 7 (b) (1) of the Small Busi-  
18 ness Act is amended by inserting “, riots or civil disorders,”  
19 before “or other catastrophes”.

20 (b) Section 101 (c) (2) (E) of the Housing and Urban  
21 Development Act of 1965 is amended by striking out  
22 “natural”.

23 (c) Section 111 of the Housing Act of 1949 is amend-  
24 ed by striking out “the Secretary” after “disaster,” and in-  
25 serting in lieu thereof “or which the Secretary has deter-



1 mined is in need of such redevelopment or rehabilitation  
2 as a result of a riot or civil disorder, he”.

3 (d) Section 203 (h) of the National Housing Act is  
4 amended by inserting “riot or civil disorder,” before “or  
5 other catastrophe”.

6 (e) No person who has been convicted of committing a  
7 felony during said riot or civil disorder shall be permitted to  
8 benefit from disaster relief provisions of the disaster relief  
9 laws of the United States.

## 10 TITLE XII—NATIONAL FLOOD INSURANCE

### 11 SHORT TITLE

12 SEC. 1201. This title may be cited as the “National  
13 Flood Insurance Act of 1968”.

### 14 FINDINGS AND DECLARATION OF PURPOSE

15 SEC. 1202. (a) The Congress finds that (1) from time  
16 to time flood disasters have created personal hardships and  
17 economic distress which have required unforeseen disaster  
18 relief measures and have placed an increasing burden on the  
19 Nation’s resources; (2) despite the installation of preventive  
20 and protective works and the adoption of other public pro-  
21 grams designed to reduce losses caused by flood damage,  
22 these methods have not been sufficient to protect adequately  
23 against growing exposure to future flood losses; (3) as a  
24 matter of national policy, a reasonable method of sharing  
25 the risk of flood losses is through a program of flood insur-

1   ance which can complement and encourage preventive and  
2   protective measures; and (4) if such a program is initiated  
3   and carried out gradually, it can be expanded as knowledge  
4   is gained and experience is appraised, thus eventually mak-  
5   ing flood insurance coverage available on reasonable terms  
6   and conditions to persons who have need for such protection.

7       (b) The Congress also finds that (1) many factors have  
8   made it uneconomic for the private insurance industry alone  
9   to make flood insurance available to those in need of such  
10   protection on reasonable terms and conditions; but (2) a  
11   program of flood insurance with large-scale participation of  
12   the Federal Government and carried out to the maximum  
13   extent practicable by the private insurance industry is feasi-  
14   ble and can be initiated.

15       (c) The Congress further finds that (1) a program of  
16   flood insurance can promote the public interest by providing  
17   appropriate protection against the perils of flood losses and  
18   encouraging sound land use by minimizing exposure of prop-  
19   erty to flood losses; and (2) the objectives of a flood insur-  
20   ance program should be integrally related to a unified  
21   national program for flood plain management and, to this  
22   end, it is the sense of Congress that within two years follow-  
23   ing the effective date of this title, the President should  
24   transmit to the Congress for its consideration any further  
25   proposals necessary for such a unified program, including



1 proposals for the allocation of costs among beneficiaries of  
2 flood protection.

3 (d) It is therefore the purpose of this title to (1) au-  
4 thorize a flood insurance program by means of which flood  
5 insurance, over a period of time, can be made available on  
6 a nationwide basis through the cooperative efforts of the  
7 Federal Government and the private insurance industry, and  
8 (2) provide flexibility in the program so that such flood  
9 insurance may be based on workable methods of pooling  
10 risks, minimizing costs, and distributing burdens equitably  
11 among those who will be protected by flood insurance and  
12 the general public.

13 (e) It is the further purpose of this title to (1) en-  
14 courage State and local governments to make appropriate  
15 land use adjustments to constrict the development of land  
16 which is exposed to flood damage and minimize damage  
17 caused by flood losses, (2) guide the development of pro-  
18 posed future construction, where practicable, away from loca-  
19 tions which are threatened by flood hazards, (3) encourage  
20 lending and credit institutions, as a matter of national policy,  
21 to assist in furthering the objectives of the flood insurance  
22 program, (4) assure that any Federal assistance provided  
23 under the program will be related closely to all flood-related  
24 programs and activities of the Federal Government, and

1 (5) authorize continuing studies of flood hazards, in order  
2 to provide for a constant reappraisal of the flood insurance  
3 program and its effect on land use requirements.

4 AMENDMENTS TO THE FEDERAL FLOOD INSURANCE ACT OF  
5 1956

6 SEC. 1203. (a) The second sentence of section 15 (e)  
7 of the Federal Flood Insurance Act of 1956 (79 Stat. 1078)  
8 is amended—

9 (1) by striking out “rate” the second time it  
10 appears in such sentence, and inserting in lieu thereof  
11 “market yield”, and

12 (2) by striking out “as of the last day of”, and  
13 inserting in lieu thereof “during”.

14 (b) Section 15 (e) of such Act is further amended by  
15 striking out the last sentence thereof.

16 (c) Sections 2 through 14, subsections (a) through  
17 (d), and (f) and (g) of section 15, and sections 16 through  
18 23 of such Act are hereby repealed.

19 DEFINITIONS

20 SEC. 1204. As used in this title, the term—

21 (1) “Flood” shall have such meaning as may be  
22 prescribed in regulations of the Secretary, and may in-  
23 clude inundation from the overflow of streams, rivers,  
24 or other bodies of water, and from tidal surges, abnor-



1 mally high tidal water, tidal waves, hurricanes, and other  
2 severe storms or deluge;

3 (2) "United States" (when used in a geographic  
4 sense), and "State", respectively, include the several  
5 States, the District of Columbia, the territories and pos-  
6 sessions, and the Commonwealth of Puerto Rico;

7 (3) "Insurance company", "other insurer", "insur-  
8 ance agents and brokers" include any organizations and  
9 persons authorized to engage in the insurance business  
10 under the laws of any State (as "State" is defined in  
11 paragraph (2) ) ;

12 (4) "Insurance adjustment organizations" includes  
13 any organizations and persons engaged in the business of  
14 adjusting loss claims arising under insurance policies  
15 issued by any insurance company or other insurer au-  
16 thorized to engage in the insurance business under the  
17 laws of any State (as "State" is defined in paragraph  
18 (2) ) ;

19 (5) "Person" includes any individual or group  
20 of individuals, corporation, partnership, association, or  
21 any other organized group of persons, including State  
22 and local governments and agencies thereof; and

23 (6) "Secretary" means the Secretary of Housing  
24 and Urban Development.

## 1 CHAPTER I—THE NATIONAL FLOOD INSURANCE PROGRAM

## 2 BASIC AUTHORITY

3 SEC. 1205. (a) To carry out the purposes of this title,  
4 the Secretary is authorized to establish and carry out a na-  
5 tional flood insurance program which will enable interested  
6 persons to purchase insurance against loss resulting from  
7 physical damage to or loss of real property or personal prop-  
8 erty related thereto arising from any flood occurring in the  
9 United States.

10 (b) In carrying out the flood insurance program the  
11 Secretary shall, to the maximum extent practicable, encour-  
12 age and arrange for—

13 (1) appropriate financial participation and risk-  
14 sharing in the program by insurance companies or other  
15 insurers, and

16 (2) other appropriate participation on other than a  
17 risk-sharing basis by insurance companies or other in-  
18 surers, insurance agents and brokers, and insurance  
19 adjustment organizations,

20 in accordance with the provisions of chapter II.

## 21 SCOPE OF PROGRAM AND PRIORITIES

22 SEC. 1206. (a) In carrying out the flood insurance pro-  
23 gram the Secretary shall afford a priority to making flood



1 insurance available to cover residential properties which are  
2 designed for the occupancy of from one to four families.

3 (b) If on the basis of—

4 (1) studies and investigations undertaken and car-  
5 ried out and information received or exchanged under  
6 section 1208, and

7 (2) such other information as may be necessary,  
8 the Secretary determines that it would be feasible to  
9 extend the flood insurance program to cover other prop-  
10 erties, he may take such action under this title as from  
11 time to time may be necessary in order to make flood  
12 insurance available to cover, on such basis as may be  
13 feasible, any types and classes of—

14 (A) other residential properties,

15 (B) business properties,

16 (C) agricultural properties,

17 (D) properties occupied by private nonprofit  
18 organizations, and

19 (E) properties owned by State and local gov-  
20 ernments and agencies thereof,

21 and any such extensions of the program to any types  
22 and classes of these properties shall from time to time be  
23 prescribed in regulations.

24 (c) The Secretary shall make flood insurance available

1 in only those States or areas (or subdivisions thereof) which  
2 he has determined have—

3 (1) evidenced a positive interest in securing flood  
4 insurance coverage under the flood insurance program,  
5 and

6 (2) given satisfactory assurance that by June 30,  
7 1970, permanent land use and control measures will have  
8 been adopted for the State or area (or subdivision)  
9 which are consistent with the comprehensive criteria for  
10 land management and use developed under section 302,  
11 and that the application and enforcement of such meas-  
12 ures will commence as soon as technical information on  
13 floodways and on controlling flood elevations is available.

14 NATURE AND LIMITATION OF INSURANCE COVERAGE

15 SEC. 1207. (a) The Secretary from time to time shall,  
16 after consultation with the advisory committee authorized  
17 under section 1219 and appropriate representatives of the in-  
18 surance authorities of the respective States, provide by regu-  
19 lation for general terms and conditions of insurability which  
20 shall be applicable to properties eligible for flood insurance  
21 coverage under section 1206, including—

22 (1) the types, classes, and locations of any such  
23 properties which shall be eligible for flood insurance;

24 (2) the nature of and limits of loss or damage in



1 any areas (or subdivisions thereof) which may be  
2 covered by such insurance;

3 (3) the classification, limitation, and rejection of  
4 any risks which may be advisable;

5 (4) appropriate minimum premiums;

6 (5) appropriate loss-deductibles; and

7 (6) any other terms and conditions relating to in-  
8 surance coverage or exclusion which may be necessary  
9 to carry out the purpose of this title.

10 (b) In addition to any other terms and conditions under  
11 subsection (a), such regulations shall provide that—

12 (1) any flood insurance coverage based on charge-  
13 able premium rates (under section 1209) which are less  
14 than estimated premium rates (under section 1208 (a)  
15 (1) ), shall not exceed—

16 (A) in the case of residential properties which  
17 are designed for the occupancy of from one to four  
18 families,

19 (i) \$15,000 aggregate liability for any  
20 dwelling unit, and \$30,000 for any single dwell-  
21 ing structure containing more than one dwell-  
22 ing unit, and

23 (ii) \$5,000 aggregate liability per dwell-  
24 ing unit for any contents related thereto; and

25 (B) in the case of any other properties which

1           may become eligible for flood insurance coverage  
2           under section 1206, \$30,000 aggregate liability for  
3           any single structure; and

4           (2) any flood insurance coverage which may be  
5           made available in excess of any of the limits specified  
6           in subparagraphs (A) and (B) shall be based only on  
7           chargeable premium rates (under section 1209) which  
8           are not less than estimated premium rates (under sec-  
9           tion 1208(a)(1)), and the amount of such excess  
10          coverage shall not in any case exceed an amount which  
11          is equal to any such limit so specified.

12                       ESTIMATES OF PREMIUM RATES

13          SEC. 1208. (a) The Secretary is authorized to undertake  
14          and carry out such studies and investigations, and to receive  
15          or exchange such information as may be necessary, to esti-  
16          mate on an area, subdivision, or other appropriate basis—

17               (1) the risk premium rates for flood insurance  
18          which,

19               (A) based on consideration of the risk involved  
20          and accepted actuarial principles, and

21               (B) including—

22                       (i) applicable operating costs and allow-  
23                       ances prescribed under section 1212 to be re-  
24                       flected in such rates, and

25                       (ii) any administrative expenses (or por-



1                   tion of such expenses) of carrying out the flood  
2                   insurance program which, in his discretion,  
3                   should properly be reflected in such rates,  
4       would be required in order to make such insurance avail-  
5       able on an actuarial basis for any types and classes of  
6       properties for which insurance coverage shall be avail-  
7       able under section 1206;

8               (2) the rates, if less than the rates estimated under  
9       paragraph (1), which would be reasonable, would en-  
10      courage prospective insureds to purchase flood insurance,  
11      and would be consistent with the purposes of this title;  
12      and

13             (3) the extent, if any, to which federally assisted  
14      or other flood protection measures initiated after the  
15      effective date of this title affect such rates.

16           (b) In carrying out subsection (a), the Secretary shall,  
17   to the maximum extent feasible and on a reimbursement  
18   basis, utilize the services of the Department of the Army,  
19   the Department of the Interior, the Department of Agricul-  
20   ture, the Department of Commerce, and the Tennessee Valley  
21   Authority, and, as appropriate, other Federal departments  
22   or agencies, and for such purposes, may enter into agree-  
23   ments or other appropriate arrangements with any persons.

24           (c) The Secretary shall give priority to conducting  
25   studies and investigations, or making estimates under this

1 section in those States or areas (or subdivisions thereof)  
2 which he has determined have evidenced a positive interest  
3 in securing flood insurance coverage under the flood in-  
4 surance program.

5 ESTABLISHMENT OF CHARGEABLE PREMIUM RATES

6 SEC. 1209. (a) On the basis of estimates made under  
7 section 1208 and such other information as may be necessary,  
8 the Secretary from time to time shall, after consultation with  
9 the advisory committee authorized under section 1219 and  
10 appropriate representatives of the insurance authorities of  
11 the respective States, by regulation prescribe—

12 (1) chargeable premium rates for any types and  
13 classes of properties for which insurance coverage shall  
14 be available under section 1206 (at less than the esti-  
15 mated risk premium rates under section 1208 (a) (1),  
16 if necessary), and

17 (2) the terms and conditions under which and  
18 areas (including subdivisions thereof) within which  
19 such rates shall apply.

20 (b) Such rates shall, insofar as practicable, be—

21 (1) based on a consideration of the respective risks  
22 involved, including differences in risks due to land use  
23 measures, floodproofing, flood forecasting, and similar  
24 measures,



1           (2) adequate, on the basis of accepted actuarial  
2           principles, to provide reserves for anticipated losses, or,  
3           if less than such amount, consistent with the objective  
4           of making flood insurance available, where necessary,  
5           at reasonable rates so as to encourage prospective in-  
6           sureds to purchase such insurance, and

7           (3) stated so as to reflect the basis for such rates,  
8           including the differences (if any) between the estimated  
9           risk premium rates under paragraph (1) of section  
10          1208 (a), and the estimated rates under paragraph (2)  
11          of such section.

12          (c) Notwithstanding any other provision of this title,  
13          the chargeable rate with respect to any property, the con-  
14          struction or substantial improvement of which the Secretary  
15          determines has been started after identification of the area  
16          in which such property is located has been published un-  
17          der paragraph (1) of section 1260, shall not be less than  
18          the estimated risk premium rate for such area (or subdivi-  
19          sion thereof) under section 1208 (a) (1).

20          (d) In the event any chargeable premium rate pre-  
21          scribed under this section is—

22               (1) at a rate which is not less than the estimated  
23               risk premium rate under section 1208 (a) (1), and

24               (2) such rate includes any amount for administra-  
25               tive expenses of carrying out the flood insurance program

1        which have been estimated under clause (ii) of section  
2        1208 (a) (1) (B),  
3        a sum equal to such amount shall be paid to the Secretary,  
4        and he shall deposit such sum in the fund authorized under  
5        section 1211.

6                    TREASURY BORROWING AUTHORITY

7        SEC. 1210. (a) All authority which was vested in the  
8        Housing and Home Finance Administrator by virtue of  
9        section 15 (e) of the Federal Flood Insurance Act of 1956  
10       (70 Stat. 1084) (pertaining to the issue of notes or other  
11       obligations to the Secretary of the Treasury), as amended  
12       by subsections (a) and (b) of section 1203, shall be avail-  
13       able to the Secretary for the purpose of carrying out this title.

14       (b) Any funds borrowed by the Secretary under this  
15       authority shall, from time to time, be deposited in the  
16       National Flood Insurance Fund established under section  
17       1211.

18                    NATIONAL FLOOD INSURANCE FUND

19        SEC. 1211. (a) To carry out the flood insurance pro-  
20        gram authorized by this title, the Secretary is authorized to  
21        establish in the Treasury of the United States a National  
22        Flood Insurance Fund (hereinafter referred to as the "fund")  
23        which shall be available, without fiscal year limitation—

24                (1) for making such payments as may, from time  
25        to time, be required under section 1234;



1           (2) to pay reinsurance claims under the excess  
2           loss reinsurance coverage provided under section 1235;

3           (3) to repay to the Secretary of the Treasury such  
4           sums as may be borrowed from him (together with  
5           interest) in accordance with the authority provided in  
6           section 1210; and

7           (4) to pay such administrative expenses (or por-  
8           tion of such expenses) of carrying out the flood insurance  
9           program as he may deem necessary; and

10          (5) for the purposes specified in subsection (d)  
11          under the conditions provided therein.

12          (b) The fund shall be credited with—

13               (1) such funds borrowed in accordance with the  
14               authority provided in section 1210 as may from time  
15               to time be deposited in the fund;

16               (2) premiums, fees, or other charges which may be  
17               paid or collected in connection with the excess loss  
18               reinsurance coverage provided under section 1235;

19               (3) such amounts as may be advanced to the fund  
20               from appropriations in order to maintain the fund in  
21               an operative condition adequate to meet its liabilities;

22               (4) interest which may be earned on investments  
23               of the fund pursuant to subsection (c) ;

24               (5) such sums as are required to be paid to the  
25               Secretary under section 1209 (d) ; and

(6) receipts from any other operations under this title which may, from time to time, be credited to the fund (including premiums under the conditions specified in subsection (d), and salvage proceeds, if any, resulting from reinsurance coverage).

(c) If after—

(1) all outstanding obligations have been liquidated, and

(2) any outstanding amounts which may have been advanced to the fund from appropriations authorized under section 1275 (a) (2) (B) have been credited to the appropriation from which advanced, with interest accrued at the rate prescribed under section 15 (e) of the Federal Flood Insurance Act of 1956, as amended by section 1203 (a) of this title,

the Secretary determines that the moneys of the fund are in excess of current needs, he may request the investment of such amounts as he deems advisable by the Secretary of the Treasury in obligations issued or guaranteed by the United States.

(d) In the event the Secretary makes a finding in accordance with the provisions of section 1240 that operation of the flood insurance program, in whole or in part, should be carried out through the facilities of the Federal Govern-



1 ment, the fund shall be available for all such purposes inci-  
2 dent thereto, including—

3 (1) the costs incurred in the adjustment and pay-  
4 ment of any claims for losses, and

5 (2) payment of applicable operating costs pre-  
6 scribed under section 1212,

7 for so long as the program is so carried out, and in such  
8 event any premiums paid shall be deposited by the Secretary  
9 to the credit of the fund.

10 OPERATING COSTS AND ALLOWANCES

11 SEC. 1212. (a) The Secretary from time to time shall  
12 negotiate with appropriate representatives of the insurance  
13 industry for the purpose of establishing—

14 (1) a current schedule of operating costs applicable  
15 to both risk-sharing insurance companies or other in-  
16 surers, and insurance companies and other insurers, insur-  
17 ance agents and brokers, and insurance adjustment orga-  
18 nizations participating on other than a risk-sharing  
19 basis, and

20 (2) a current schedule of operating allowances ap-  
21 plicable to risk-sharing insurance companies or other  
22 insurers,

23 which may be payable in accordance with the provisions of  
24 chapter II, and such schedules, from time to time, shall be  
25 prescribed in regulations.

(b) For purposes of subsection (a) —

(1) the term “operating costs” shall include, without limiting such term, the following:

(A) expense reimbursements covering the direct, actual, and necessary expenses incurred in connection with selling and servicing flood insurance coverage;

(B) reasonable compensation payable for selling and servicing flood insurance coverage, or commissions or service fees paid to producers;

(C) loss adjustment expenses;

(D) other direct, actual, and necessary expenses which the Secretary finds are incurred in connection with selling or servicing flood insurance coverage; and

(2) the term “operating allowances” shall include, without limiting such term, amounts for profit and contingencies which the Secretary finds reasonable and necessary to carry out the purposes of this title.

#### PAYMENT OF CLAIMS

SEC. 1213. The Secretary is authorized to prescribe regulations establishing the general method or methods by which proved and approved claims for losses may be adjusted and paid for any damage to or loss of property which is



1 covered by flood insurance made available under the pro-  
2 visions of this title.

3 DISSEMINATION OF FLOOD INSURANCE INFORMATION

4 SEC. 1214. The Secretary shall take such action as may,  
5 from time to time, be necessary in order to make informa-  
6 tion and data available to the public and to any State or  
7 local agency or official, with regard to—

8 (1) the flood insurance program, its coverage and  
9 objectives, and

10 (2) estimated and chargeable flood insurance  
11 premium rates, including the basis for and differences  
12 between such rates in accordance with the provisions  
13 of section 1209.

14 PROHIBITION AGAINST CERTAIN DUPLICATIONS OF  
15 BENEFITS

16 SEC. 1215. (a) Notwithstanding the provisions of any  
17 other law, no Federal disaster assistance shall be made avail-  
18 able to any person—

19 (1) for the physical loss, destruction, or damage of  
20 real or personal property, to the extent that such loss,  
21 destruction, or damage is covered by a valid claim which  
22 may be adjusted and paid under flood insurance made  
23 available under the authority of this title, or

24 (2) except in the situation provided for under para-  
25 graph (3) for the physical loss, destruction, or damage

1 of real and personal property, to the extent that such  
2 loss, destruction, or damage could have been covered by  
3 a valid claim under flood insurance which had been made  
4 available under the authority of this title, if—

5 (A) such loss, destruction, or damage occurred  
6 subsequent to one year following the date flood  
7 insurance was made available in the area (or sub-  
8 division thereof) in which such property or the  
9 major part thereof was located, and

10 (B) such property was eligible for flood insur-  
11 ance under this title at that date,

12 and in such circumstances the extent that such loss,  
13 destruction, or damage could have been covered shall  
14 be presumed (for purposes of this subsection) to be an  
15 amount not less than the maximum limit of insurable  
16 loss or damage applicable to such property in such  
17 area (or subdivision thereof), pursuant to regulations  
18 under section 1207, at the time insurance was made  
19 available in such area (or subdivision thereof) ;

20 (3) in order to assure that the provisions of para-  
21 graph (2) will not create undue hardship for low-income  
22 persons who might otherwise benefit from the provision  
23 of Federal disaster assistance, the Secretary shall provide  
24 by regulation, for the circumstances in which the pro-



visions of paragraph (2) shall not be applicable to any such persons.

(b) For purposes of this section "Federal disaster assistance" shall include any Federal financial assistance which may be made available to any person as a result of—

(1) a major disaster (within the meaning of that term as determined by the President pursuant to the Act entitled "An Act to authorize Federal assistance to State and local governments in major disasters, and for other purposes", as amended (42 U.S.C. 1855-1855g.) ,

(2) a natural disaster, as determined by the Secretary of Agriculture pursuant to section 321 of the Consolidated Farmers Home Administration Act of 1961 (7 U.S.C. 1961) , and

(3) a disaster with respect to which loans may be made under section 7 (b) of the Small Business Act, as amended (15 U.S.C. 636 (b) ) .

(c) For purposes of section 10 of the Disaster Relief Act of 1966 (80 Stat. 1316) , the term "financial assistance" shall be deemed to include any flood insurance which is made available under this title.

#### STATE AND LOCAL LAND USE CONTROLS

SEC. 1216. After June 30, 1970, no new flood insurance coverage shall be provided under this title in any area (or

1 subdivision thereof) unless an appropriate public body shall  
2 have adopted permanent land use and control measures (with  
3 effective enforcement provisions) which the Secretary finds  
4 are consistent with the comprehensive criteria for land man-  
5 agement and use under section 1261.

#### 6 PROPERTIES IN VIOLATION OF STATE AND LOCAL LAW

7 SEC. 1217. No new flood insurance coverage shall be  
8 provided under this title for any property which the Secre-  
9 tary finds has been declared by a duly constituted State or  
10 local zoning authority, or other authorized public body, to  
11 be in violation of State or local laws, regulations, or ordi-  
12 nances which are intended to discourage or otherwise restrict  
13 land development or occupancy in flood-prone areas.

#### 14 COORDINATION WITH OTHER PROGRAMS

15 SEC. 1218. In carrying out this title, the Secretary shall  
16 consult with other departments and agencies of the Federal  
17 Government, and interstate, State, and local agencies having  
18 responsibilities for flood control, flood forecasting, and flood  
19 damage prevention, in order to assure that the programs of  
20 such agencies and the flood insurance program authorized  
21 under this title are mutually consistent.

#### 22 ADVISORY COMMITTEE

23 SEC. 1219. (a) The Secretary shall appoint a flood  
24 insurance advisory committee without regard to the civil



1 service laws, and such committee shall advise the Secretary  
2 in the preparation of any regulations prescribed in accordance  
3 with this title, with respect to policy matters arising in the  
4 administration of this title, and shall perform such other  
5 responsibilities as the Secretary may, from time to time,  
6 assign to such committee.

7 (b) Such committee shall consist of not more than  
8 fifteen persons and such persons shall be selected from among  
9 representatives of—

- 10 (1) the insurance industry,
- 11 (2) State and local governments,
- 12 (3) lending institutions,
- 13 (4) the home building industry, and
- 14 (5) the general public.

15 (c) Members of the committee shall, while attending  
16 conferences or meetings thereof, be entitled to receive com-  
17 pensation at a rate fixed by the Secretary but not exceed-  
18 ing \$100 per day, including traveltime, and while so serving  
19 away from their homes or regular places of business they  
20 may be allowed travel expenses, including per diem in lieu  
21 of subsistence, as is authorized under section 5703 of title

1 5, United States Code, for persons in the Government serv-  
2 ice employed intermittently.

3 INITIAL PROGRAM LIMITATION

4 SEC. 1220. The face amount of flood insurance coverage  
5 outstanding and in force at any one time under this title  
6 shall not exceed the sum of \$2,500,000,000.

7 REPORT TO THE PRESIDENT

8 SEC. 1221. The Secretary shall include a report of opera-  
9 tions under this title in the annual report to the President  
10 for submission to the Congress required by section 8 of the  
11 Department of Housing and Urban Development Act.

12 CHAPTER II—ORGANIZATION AND ADMINISTRATION OF  
13 THE FLOOD INSURANCE PROGRAM

14 ORGANIZATION AND ADMINISTRATION

15 SEC. 1230. Following such consultation with representa-  
16 tives of the insurance industry as may be necessary, the Sec-  
17 retary shall implement the flood insurance program author-  
18 ized under chapter I in accordance with the provisions of part  
19 A of this chapter and, if a determination is made by him  
20 under section 1240, under part B of this chapter.



1 PART A—INDUSTRY PROGRAM WITH FEDERAL FINANCIAL  
2 ASSISTANCE

3 INDUSTRY FLOOD INSURANCE POOL

4 SEC. 1231. (a) The Secretary is authorized to encour-  
5 age and otherwise assist any insurance company or companies  
6 and other insurers which meet the requirements prescribed  
7 under subsection (b) to form, associate, or otherwise join  
8 together in a pool—

9 (1) in order to provide the flood insurance coverage  
10 authorized under chapter I; and

11 (2) for the purpose of assuming, on terms and  
12 conditions as may be agreed upon, such financial respon-  
13 sibility as will enable such companies and other insurers,  
14 with the Federal financial and other assistance available  
15 under this title, to assume a reasonable proportion of  
16 responsibility for the adjustment and payment of claims  
17 for losses under the flood insurance program.

18 (b) In order to promote the effective administration of  
19 the flood insurance program under this part, and to assure  
20 that the objectives of this title are furthered, the Secretary  
21 is authorized to prescribe appropriate requirements for insur-  
22 ance companies or other insurers participating in such pool  
23 including, but not limited to, minimum requirements for  
24 capital or surplus or assets.

## 1        AGREEMENTS WITH FLOOD INSURANCE POOL

2        SEC. 1232. (a) The Secretary is authorized to enter into  
3 such agreements with any pool which is formed, associated,  
4 or otherwise created under this part, as he deems necessary  
5 to carry out the purpose of this title.

6        (b) Such agreements shall specify—

7            (1) the terms and conditions under which risk  
8 capital will be available for the adjustment and payment  
9 of claims,

10           (2) the terms and conditions under which such pool  
11 (and the companies or other insurers participating  
12 therein) shall participate in premiums received and  
13 profits or losses realized or sustained,

14           (3) the maximum amount of profit established by  
15 the Secretary under section 1212 (and prescribed in  
16 regulations under section 1212 (a) ), which may be  
17 realized by such pool (and the companies or other  
18 insurers participating therein),

19           (4) the terms and conditions under which operat-  
20 ing costs and allowances prescribed under section 1212  
21 may be paid, and

22           (5) the terms and conditions under which pre-  
23 mium equalization payments under section 1234 will



1        be made and reinsurance claims under section 1235  
2        will be paid.

3 (c) In addition, such agreements shall contain such  
4 provisions as the Secretary finds necessary to assure that—

(1) no company or other insurer which meets the requirements prescribed under section 1231(b) and which has indicated an intention to participate in the flood insurance program on a risk-sharing basis, will be excluded from participating in any such pool,

10           (2) the companies or other insurers participating in  
11       such pool will take whatever action may be necessary  
12       to provide continuity of flood insurance coverage by  
13       such pool, and

(3) any insurance companies, other insurers, agents and brokers, and insurance adjustment organizations will be permitted to cooperate with such pool as fiscal agents or otherwise, on other than a risk-sharing basis, to the maximum extent practicable.

## 19 JUDICIAL REVIEW

20        SEC. 1233. Such companies and other insurers which  
21 form, associate, or otherwise join together in a pool under  
22 this part may adjust and pay all claims for proved and  
23 approved losses covered by flood insurance in accordance  
24 with the provisions of this title and, upon disallowance by  
25 any such companies or other insurers of any such claim, or

1 upon the refusal of the claimant to accept the amount allowed  
2 upon any such claim, the claimant, within one year after the  
3 date of mailing of notice of disallowance or partial disallow-  
4 ance of the claim, may institute an action on such claim  
5 against the companies or other insurers in the United States  
6 district court for the district in which the insured property  
7 or the major part thereof shall have been situated, and  
8 jurisdiction is hereby conferred upon such court to hear  
9 and determine such action without regard to the amount  
10 in controversy.

11           PREMIUM EQUALIZATION PAYMENTS

12       SEC. 1234. (a) The Secretary shall, on such terms  
13 and conditions as he may from time to time prescribe, make  
14 periodic payments to such pool as may be formed, associated,  
15 or otherwise created under section 1231, in recognition of  
16 such reductions in chargeable premium rates under section  
17 1209 below estimated premium rates under section 1208  
18 (a) (1) as are required in order to make flood insurance  
19 available on reasonable terms and conditions.

20       (b) Such payments shall be based only on the aggregate  
21 amount of flood insurance retained by such pool after ceding  
22 reinsurance in accordance with the provisions of section  
23 1235, and shall not exceed an aggregate amount in any  
24 payment period equal to the sum of the following:

25           (1) (A) an amount for losses which bears the same



1 ratio to the amount of all proved and approved claims  
2 for losses under this title during any designated period as

3 (B) the amount equal to the difference between

4 (i) the sum of all premium payments for flood  
5 insurance coverage in force under this title during  
6 such designated period which would have been pay-  
7 able during such period if all such coverage were  
8 based on estimated risk premium rates under section  
9 1208 (a) (1) (excluding any administrative ex-  
10 penses which may be reflected in such rates, as  
11 specified in clause (ii) of section 1208 (a) (1) (B),  
12 and

13 (ii) the sum of premium payments actually  
14 paid or payable for such insurance under this title  
15 during such period,

16 bears to the amount specified in clause (i) of this sub-  
17 paragraph; and

18 (2) subject to the terms and conditions specified  
19 in the agreement entered into under section 1232, a pro-  
20 portionate amount for appropriate operating costs and  
21 allowances prescribed under section 1212 during any  
22 designated period, which bears the same ratio to a total  
23 amount during such period as the ratio specified in  
24 paragraph (1) (B).

25 (c) Designated periods under this section and the

1 methods for determining the sum of premiums paid or pay-  
2 able during such periods shall be established by the Secretary.

### 3 REINSURANCE COVERAGE

4 SEC. 1235. (a) The Secretary is authorized to take  
5 such action as may be necessary in order to make available  
6 to such pool as may be formed, associated, or otherwise  
7 created under section 1231, reinsurance for losses (due to  
8 claims for proved and approved losses covered by flood in-  
9 surance) which are in excess of losses assumed by such pool  
10 in accordance with the excess loss agreement entered into  
11 under subsection (c).

12 (b) Such reinsurance shall be made available pursuant  
13 to contract, agreement, or any other arrangement, in con-  
14 sideration of such payment of a premium, fee, or other charge  
15 as the Secretary finds necessary to cover anticipated losses  
16 and other costs of providing such reinsurance.

17 (c) The Secretary is authorized to negotiate an excess  
18 loss agreement, from time to time, under which the amount  
19 of flood insurance retained by such pool, after ceding rein-  
20 surance, shall be adequate to further the purposes of this  
21 title, consistent with the objective of maintaining appropriate  
22 financial participation and risk sharing to the maximum ex-  
23 tent practicable on the part of participating insurance com-  
24 panies and other insurers.

25 (d) All reinsurance claims for losses in excess of losses



1 assumed by such pool shall be submitted on a portfolio basis  
2 by such pool in accordance with terms and conditions as may  
3 be established by the Secretary.

4 (e) Such pool shall make no distribution of earnings for  
5 a period of up to five years based on flood insurance pre-  
6 miums, unless the aggregate cumulative premiums, fees, or  
7 other charges established for excess loss reinsurance under  
8 subsection (b) and collected for deposit in the National  
9 Flood Insurance Fund exceeds the aggregate cumulative ex-  
10 penses paid for reinsurance claims by such fund.

## 11 PART B—GOVERNMENT PROGRAM

### 12 FEDERAL OPERATION OF THE PROGRAM

13 SEC. 1240. (a) If at any time after consultation with  
14 representatives of the insurance industry, the Secretary deter-  
15 mines that operation of the flood insurance program as pro-  
16 vided under part A cannot be carried out, or that such opera-  
17 tion, in itself, would be assisted materially by the Federal  
18 Government's assumption, in whole (or in part), of the  
19 operational responsibility for flood insurance under this title  
20 (on a temporary or other basis) he shall promptly under-  
21 take any necessary arrangements to carry out the program  
22 of flood insurance authorized under chapter I through the  
23 facilities of the Federal Government, utilizing, for purposes of  
24 providing flood insurance coverage, either—

25 (1) insurance companies and other insurers, insur-

1       ance agents and brokers, and insurance adjustment orga-  
2       nizations, as fiscal agents of the United States,

3           (2) officers and employees of the Department of  
4       Housing and Urban Development, and such other officers  
5       and employees of any executive agency (as defined in  
6       section 105 of title 5 of the United States Code) as the  
7       Secretary and the head of any such agency may, from  
8       time to time, agree upon, on a reimbursement or other  
9       basis, or

10       (3) both the alternatives specified in paragraphs  
11       (1) and (2).

12       (b) Upon making the determination referred to in sub-  
13       section (a), the Secretary shall make a report to Congress  
14       of his determination to implement the program of flood in-  
15       surance authorized under chapter I through the facilities of  
16       the Federal Government. This report shall—

17           (1) state the reasons for such determination,

18           (2) be supported by pertinent findings,

19           (3) indicate the extent to which it is anticipated  
20       that the insurance industry will be utilized in providing  
21       flood insurance coverage under the program, and

22           (4) contain such recommendations as the Secretary  
23       deems advisable.

24       No action may be taken to implement this report until after



1 it has been before the Congress for at least ninety days,  
2 during all of which time the Congress has been in session.

3           ADJUSTMENT AND PAYMENT OF CLAIMS

4       SEC. 1241. In the event the program is carried out as  
5 provided in section 1240, the Secretary shall be authorized to  
6 adjust and make payment of any claims for proved and  
7 approved losses covered by flood insurance, and upon dis-  
8 allowance by the Secretary of any such claim, or upon the  
9 refusal of the claimant to accept the amount allowed upon any  
10 such claim, the claimant, within one year after the date of  
11 mailing of notice of disallowance or partial disallowance  
12 by the Secretary, may institute an action against the Secre-  
13 tary on such claim in the United States district court for the  
14 district in which the insured property or the major part  
15 thereof shall have been situated, and jurisdiction is hereby  
16 conferred upon such court to hear and determine such action  
17 without regard to the amount in controversy.

18       PART C—PROVISIONS OF GENERAL APPLICABILITY

19           SERVICES BY INSURANCE INDUSTRY

20       SEC. 1245. (a) In administering the flood insurance  
21 program under this chapter, the Secretary is authorized to  
22 enter into any contracts, agreements, or other appropriate  
23 arrangements as may, from time to time, be necessary for the  
24 purpose of utilizing, on terms and conditions which may be  
25 agreed upon, the facilities and services of any insurance com-

panies or other insurers, insurance agents and brokers, or insurance adjustment organizations, and such contracts, agreements, or arrangements may also include provision for payment of applicable operating costs and allowances for such facilities and services prescribed under section 1212.

(b) Any such contracts, agreements, or other arrangements may be entered into without regard to the provisions of section 3709 of the Revised Statutes, as amended (41 U.S.C. 5), or any other provision of law requiring competitive bidding.

#### USE OF INSURANCE POOLS, COMPANIES, OR OTHER PRIVATE

#### ORGANIZATIONS FOR CERTAIN PAYMENTS

SEC. 1246. (a) In order to provide for maximum efficiency in the administration of the flood insurance program and in order to facilitate the expeditious payment of any Federal funds under the flood insurance program authorized by this title, the Secretary may enter into contracts with any pool which may be formed, associated, or otherwise created under section 1231, or any insurance companies or other private organizations, for the purpose of securing performance by such pool, company, or organization of any or all of the following responsibilities:

(1) estimate and later determine any amounts of payments to be made;



1           (2) receive from the Secretary, disburse, and ac-  
2           count for funds in making such payments;

3           (3) make such audits of the records of any insur-  
4           ance company, other insurers, agent or broker, or in-  
5           surance adjustment organization, as may be necessary  
6           to assure that proper payments are made; and

7           (4) otherwise assist in such manner as the con-  
8           tract may provide to further the purposes of this title.

9           (b) Any contract with any pool, insurance company, or  
10          other private organization under this section may contain  
11          such terms and conditions as the Secretary finds necessary or  
12          appropriate for carrying out responsibilities under subsec-  
13          tion (a), and may provide for payment of any costs which  
14          the Secretary determines are incidental to carrying out such  
15          responsibilities which are covered by the contract.

16          (c) Any contract entered into under subsection (a)  
17          may be entered into without regard to section 3709 of the  
18          Revised Statutes (41 U.S.C. 5) or any other provision of  
19          law requiring competitive bidding.

20          (d) No such contract may be entered into with any  
21          pool, insurance company, or other private organization under  
22          this section unless the Secretary finds that it will perform  
23          its obligations under the contract efficiently and effectively,  
24          and will meet such requirements as to financial responsibility,  
25          legal authority, and other matters as he finds pertinent.

1       (e) (1) Any such contract may require such pool,  
2 company, or organization or any of its officers or employees  
3 certifying payments or disbursing funds pursuant to the con-  
4 tract, or otherwise participating in carrying out the contract,  
5 to give surety bond to the United States in such amount as  
6 the Secretary may deem appropriate.

7       (2) No individual designated pursuant to a contract  
8 under this section to certify payments shall, in the absence  
9 of gross negligence or intent to defraud the United States, be  
10 liable with respect to any payments certified by him under  
11 this section.

12       (3) No officer disbursing funds shall, in the absence of  
13 gross negligence or intent to defraud the United States, be  
14 liable with respect to any payment by him under this section  
15 if it was based upon a voucher signed by an individual desig-  
16 nated to certify payments as provided in paragraph (2) of  
17 this subsection.

18       (f) Any contracts entered into under this section shall  
19 be for a term of one year, and may be made automatically  
20 renewable from term to term in the absence of notice by  
21 either party of an intention to terminate at the end of the  
22 current term; except that the Secretary may terminate any  
23 such contract at any time (after reasonable notice to the  
24 pool, company, or organization involved) if he finds that  
25 the pool, company, or organization has failed substantially



1 to carry out the contract, or is carrying out the contract  
2 in a manner inconsistent with the efficient and effective  
3 administration of the flood insurance program authorized  
4 under this title.

5 SETTLEMENT AND ARBITRATION

6 SEC. 1247. (a) The Secretary is authorized to make  
7 final settlement of any claims or demands which may arise  
8 as a result of any financial transactions which he is author-  
9 ized to carry out under this chapter, and may, to assist him  
10 in making any such settlement, refer any disputes relating  
11 to such claims or demands to arbitration, with the consent  
12 of the parties concerned.

13 (b) Such arbitration shall be advisory in nature, and  
14 any award, decision, or recommendation which may be  
15 made shall become final only upon the approval of the  
16 Secretary.

17 RECORDS AND AUDITS

18 SEC. 1248. (a) Any flood insurance pool formed, asso-  
19 ciated, or otherwise created under section 1231 of this title  
20 receiving financial assistance under part A of this chapter  
21 and any such pool, or insurance company or other private  
22 organization executing any contract, agreement, or other ap-  
23 propriate arrangement with the Secretary under parts B and  
24 C of this chapter shall keep such records as the Secretary  
25 shall prescribe, including records which fully disclose the

1 total costs of the program undertaken or the services being  
2 rendered, and other records as will facilitate an effective  
3 audit.

4 (b) The Secretary and the Comptroller General of the  
5 United States, or any of their duly authorized representatives,  
6 shall have access for the purpose of audit and examination to  
7 any books, documents, papers, and records of the pool, in-  
8 surance company, or other private organizations that are  
9 pertinent to the costs of the program undertaken or the  
10 services being rendered.

11 CHAPTER III—COORDINATION OF FLOOD INSURANCE  
12 WITH LAND-MANAGEMENT PROGRAMS IN FLOOD-  
13 PRONE AREAS

14 IDENTIFICATION OF FLOOD-PRONE AREAS

15 SEC. 1260. The Secretary is authorized to consult with,  
16 receive information from, and to enter into any agreements  
17 or other arrangements with the Secretaries of the Army, the  
18 Interior, Agriculture, and Commerce, the Tennessee Valley  
19 Authority, and the heads of other Federal departments or  
20 agencies (on a reimbursement basis), or the head of any  
21 State or local agency, in order that he may—

22 (1) identify and publish information with respect  
23 to all flood plain areas, including coastal areas located  
24 in the United States, which have special flood hazards,



1        within five years following the effective date of this  
2        title, and

3            (2) establish flood risk zones in all such areas, and  
4        make estimates with respect to the rates of probable  
5        flood-caused loss for the various flood risk zones for  
6        each of these areas, within fifteen years following such  
7        date.

8            CRITERIA FOR LAND MANAGEMENT AND USE

9        SEC. 1261. (a) The Secretary is authorized to carry out  
10       studies or investigations, utilizing the existing facilities and  
11       services of other Federal departments or agencies to the  
12       maximum extent practicable, and State and local govern-  
13       mental agencies, and any other organizations, with respect to  
14       the adequacy of State and local measures in flood-prone  
15       areas, as to land management and use, flood control, flood  
16       zoning, and flood damage prevention, and may enter into  
17       any contracts, agreements, or other appropriate arrangements  
18       to carry out such authority.

19       (b) Such studies and investigations shall include, but  
20       not be limited to, laws, regulations, or ordinances relating to  
21       encroachments and obstructions on stream channels and  
22       floodways, the orderly development and use of flood plains  
23       of rivers or streams, floodway encroachment lines, or flood  
24       plain zoning, building codes, building permits, and subdi-  
25       vision or other building restrictions.

1       (c) On the basis of such studies and investigations, and  
2 such other information as he deems necessary, the Secre-  
3 tary from time to time shall develop comprehensive criteria  
4 designed to encourage, where necessary, the adoption of  
5 permanent State and local measures which, to the maximum  
6 extent feasible, will—

7           (1) constrict the development of land which is ex-  
8 posed to flood damage where appropriate,

9           (2) guide the development of proposed construc-  
10 tion away from locations which are threatened by flood  
11 hazards,

12           (3) assist in reducing damage caused by floods, and

13           (4) otherwise improve the long-range land man-  
14 agement and use of flood-prone areas,

15 and shall work closely with and provide any necessary tech-  
16 nical assistance to State, interstate, and local governmental  
17 agencies, to encourage the application of such criteria and  
18 the adoption and enforcement of such measures.

19       PURCHASE OF CERTAIN INSURED PROPERTIES

20       SEC. 1262. The Secretary may, when he determines that  
21 the public interest would be served thereby, enter into nego-  
22 tiations with any owner of real property or interests therein  
23 which—

24           (1) was located in any flood-risk area, as deter-  
25 mined by the Secretary;



1           (2) was covered by flood insurance under the flood  
2           insurance program authorized under this title; and

3 (3) was damaged substantially beyond repair by  
4 flood;

5 and may purchase such property or interests therein, for sub-  
6 sequent transfer, by sale, lease, donation, or otherwise, to  
7 any State or local agency which enters into an agreement  
8 with the Secretary that such property shall, for a period not  
9 less than forty years following transfer, be used for only such  
10 purposes as the Secretary may, by regulation, determine to  
11 be consistent with sound land management and use in such  
12 area.

13 CHAPTER IV—APPROPRIATIONS AND MISCELLANEOUS  
14 PROVISIONS

## 15 STUDIES OF OTHER NATURAL DISASTERS

16        SEC. 1270. (a) The Secretary is authorized to under-  
17    take such studies as may be necessary for the purpose of de-  
18    termining the extent to which insurance protection against  
19    earthquakes or any other natural disaster perils, other than  
20    flood, is not available from public or private sources, and the  
21    feasibility of such insurance protection being made available.

(b) Studies under this section shall be carried out, to the maximum extent practicable, with the cooperation of other Federal departments and agencies and State and local agencies, and the Secretary is authorized to consult with,

1 receive information from, and to enter into any necessary  
2 agreements or other arrangements with such other Federal  
3 departments or agencies (on a reimbursement basis) or State  
4 and local agencies.

#### 5 PAYMENTS

6 SEC. 1271. Any payments under this title may be  
7 made (after necessary adjustment on account of previously  
8 made underpayments or overpayments) in advance or by  
9 way of reimbursement, and in such installments and on such  
10 conditions as the Secretary may determine.

#### 11 GOVERNMENT CORPORATION CONTROL ACT

12 SEC. 1272. The provisions of the Government Corpora-  
13 tion Control Act, as amended, shall apply to the program  
14 authorized under this title to the same extent as applicable  
15 to wholly owned Government corporations.

#### 16 FINALITY OF CERTAIN FINANCIAL TRANSACTIONS

17 SEC. 1273. Notwithstanding the provisions of any other  
18 law to the contrary, any—

19 (1) financial transaction authorized to be carried  
20 out under this title, and

21 (2) payment authorized to be made or to be re-  
22 ceived in connection with any such financial transaction,  
23 shall be final and conclusive upon all officers of the Govern-  
24 ment.



## 1 ADMINISTRATIVE EXPENSES

2 SEC. 1274. Any administrative expenses which may be  
3 sustained by the Federal Government in carrying out the  
4 flood insurance program authorized under this title may be  
5 paid out of appropriated funds.

## 6 APPROPRIATIONS

7 SEC. 1275. (a) There are hereby authorized to be  
8 appropriated such sums as may from time to time be neces-  
9 sary to carry out this title, including sums—

10 (1) to cover administrative expenses authorized  
11 under section 1274;

12 (2) to reimburse the fund established under sec-  
13 tion 1211 for—

14 (A) premium equalization payments under sec-  
15 tion 1234 which have been made from such fund;  
16 and

17 (B) reinsurance claims paid under the excess  
18 loss reinsurance coverage provided under section  
19 1235; and

20 (3) to make such other payments as may be neces-  
21 sary to carry out the purposes of this title.

22 (b) All such funds shall be available without fiscal  
23 year limitation.

## EFFECTIVE DATE

SEC. 1276. This title shall take effect one hundred and twenty days following the date of its enactment, except that the Secretary, on the basis of a finding that conditions exist necessitating the prescribing of an additional period, may prescribe a later effective date which in no event shall be more than one hundred and eighty days following such date of enactment.

## TITLE XIII—INTERSTATE LAND SALES

## SHORT TITLE

SEC. 1301. This title may be cited as the "Interstate Land Sales Full Disclosure Act".

## DEFINITIONS

SEC. 1302. For the purposes of this title, the term—

(1) "Secretary" means the Secretary of Housing and Urban Development;

(2) "person" means an individual, or an unincorporated organization, partnership, association, corporation, trust, or estate;

(3) "subdivision" means any land which is divided or proposed to be divided into fifty or more lots, whether contiguous or not, for the purpose of sale or lease as part of a common promotional plan and where sub-



1       divided land is offered for sale or lease by a single  
2       developer, or a group of developers acting in concert,  
3       and such land is contiguous or is known, designated, or  
4       advertised as a common unit or by a common name such  
5       land shall be presumed, without regard to the number of  
6       lots covered by each individual offering, as being offered  
7       for sale or lease as part of a common promotional plan;

8           (4) "developer" means any person who, directly or  
9       indirectly, sells or leases, or offers to sell or lease, or  
10      advertises for sale or lease any lots in a subdivision;

11          (5) "agent" means any person who represents, or  
12      acts for or on behalf of, a developer in selling or leasing,  
13      or offering to sell or lease, any lot or lots in a subdivi-  
14      sion; but shall not include an attorney at law whose rep-  
15      resentation of another person consists solely of rendering  
16      legal services;

17          (6) "blanket encumbrance" means a trust deed,  
18      mortgage, or any other lien or encumbrance, including  
19      an option or contract to sell or a trust agreement, affect-  
20      ing a subdivision or affecting more than one lot offered  
21      within a subdivision; except that such term shall not  
22      include any lien or other encumbrance arising as the  
23      result of the imposition of any tax assessment by any  
24      public authority;

(7) "interstate commerce" means trade or commerce among the several States;

(8) "State" includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States;

(9) "purchaser" means an actual or prospective purchaser or lessee of any lot in a subdivision;

(10) "offer" includes any inducement, solicitation, or attempt to encourage a person to acquire a lot in a subdivision.

#### EXEMPTIONS

SEC. 1303. (a) Unless the method of disposition is adopted for the purpose of evasion of this title, the provisions of this title shall not apply to—

(1) the sale or lease of real estate not pursuant to a common promotional plan to offer or sell fifty or more lots in a subdivision;

(2) the sale or lease of lots in a subdivision, all of which are five acres or more in size;

(3) the sale or lease of any improved land on which there is a residential, commercial, or industrial building, or to the sale or lease of land under a contract obligating the seller to erect such a building thereon within a period of two years;



1           (4) the sale or lease of real estate under or pur-  
2           suant to court order;

3           (5) the sale of evidences of indebtedness secured  
4           by a mortgage or deed of trust on real estate;

5           (6) the sale of securities issued by a real estate in-  
6           vestment trust;

7           (7) the sale or lease of real estate by any govern-  
8           ment or government agency;

9           (8) the sale or lease of cemetery lots;

10          (9) the sale or lease of lots to any person who  
11          acquires such lots for the purpose of engaging in the  
12          business of constructing residential, commercial, or in-  
13          dustrial buildings or for the purpose of resale or lease of  
14          such lots to persons engaged in such business;

15          (10) the sale or lease of real estate which is free  
16          and clear of all liens, encumbrances and adverse claims  
17          if each and every purchaser or his or her spouse has  
18          personally inspected the lot which he purchases and if  
19          the developer executes a written affirmation to that effect  
20          to be made a matter of record in accordance with rules  
21          and regulations of the Secretary.

22          (b) The Secretary may from time to time, pursuant  
23          to rules and regulations issued by him, exempt from any of  
24          the provisions of this title any subdivision or any lots in a sub-  
25          division, if he finds that the enforcement of this title with

1 respect to such subdivision or lots is not necessary in the  
2 public interest and for the protection of purchasers by reason  
3 of the small amount involved or the limited character of  
4 the public offering.

5 PROHIBITIONS RELATING TO THE SALE OR LEASE OF LOTS  
6 IN SUBDIVISIONS

7 SEC. 1304. (a) It shall be unlawful for any developer  
8 or agent, directly or indirectly, to make use of any means or  
9 instruments of transportation or communication in inter-  
10 state commerce, or of the mails—

11 (1) to sell or lease any lot in any subdivision unless  
12 a statement of record with respect to such lot is in effect  
13 in accordance with section 1307 and a printed property  
14 report, meeting the requirements of section 1308, is fur-  
15 nished to the purchaser in advance of the signing of any  
16 contract or agreement for sale or lease by the purchaser;  
17 and

18 (2) in selling or leasing, or offering to sell or lease,  
19 any lot in a subdivision—

20 (A) to employ any device, scheme, or artifice  
21 to defraud, or

22 (B) to obtain money or property by means of  
23 a misrepresentation with respect to any information  
24 included in the statement of record or the property  
25 report or with respect to any other information



1           pertinent to the lot or the subdivision and upon  
2           which the purchaser relies, or

3 (C) to engage in any transaction, practice, or  
4 course of business which operates or would operate  
5 as a fraud or deceit upon a purchaser.

(b) Any contract or agreement for the purchase or leasing of a lot in a subdivision covered by this title, where the property report has not been given to the purchaser in advance or at the time of his signing, shall be voidable at the option of the purchaser. A purchaser may revoke such contract or agreement within forty-eight hours, where he has received the property report less than forty-eight hours before he signed the contract or agreement, and the contract or agreement shall so provide; except that the contract or agreement may stipulate that the foregoing revocation authority shall not apply in the case of a purchaser who (1) has read the property report and inspected the lot to be purchased or leased in advance of signing the contract or agreement, and (2) acknowledges by his signature that he has made such inspection and has read and understood such report.

22 REGISTRATION OF SUBDIVISIONS

23 SEC. 1305. (a) A subdivision may be registered by  
24 filing with the Secretary a statement of record, meeting the  
25 requirements of this title and such rules and regulations as

1 may be prescribed by the Secretary in furtherance of the  
2 provisions of this title. A statement of record shall be deemed  
3 effective only as to the lots specified therein.

4 (b) At the time of filing a statement of record, or any  
5 amendment thereto, the developer shall pay to the Secre-  
6 tary a fee, not in excess of \$1,000, in accordance with a  
7 schedule to be fixed by the regulations of the Secretary.

8 (c) The filing with the Secretary of a statement of  
9 record, or of an amendment thereto, shall be deemed to have  
10 taken place upon the receipt thereof, accompanied by pay-  
11 ment of the fee required by subsection (b).

12 (d) The information contained in or filed with any state-  
13 ment of record shall be made available to the public under  
14 such regulations as the Secretary may prescribe and copies  
15 thereof shall be furnished to every applicant at such reason-  
16 able charge as the Secretary may prescribe.

17 INFORMATION REQUIRED IN STATEMENT OF RECORD

18 SEC. 1306. The statement of record shall contain the  
19 information and be accompanied by the documents specified  
20 hereinafter in this section—

21 (1) the name and address of each person having  
22 an interest in the lots in the subdivision to be covered  
23 by the statement of record and the extent of such  
24 interest;

25 (2) a legal description of, and a statement of the



1 total area included in, the subdivision and a statement of  
2 the topography thereof, together with a map showing  
3 the division proposed and the dimensions of the lots to be  
4 covered by the statement of record and their relation to  
5 existing streets and roads;

6 (3) a statement of the condition of the title to the  
7 land comprising the subdivision, including all encum-  
8 brances thereon;

9 (4) a statement of the general terms and condi-  
10 tions, including the range of selling prices or rents at  
11 which it is proposed to dispose of the lots in the sub-  
12 division;

13 (5) a statement of the present condition of access  
14 to the subdivision, the availability of sewage disposal  
15 facilities and other public utilities (including water, elec-  
16 tricity, gas, and telephone facilities) in the subdivision,  
17 the proximity in miles of the subdivision to nearby mu-  
18 nicipalities, and the nature of any improvements to be  
19 installed by the developer and his estimated schedule for  
20 completion;

21 (6) in the case of any subdivision or portion thereof  
22 against which there exists a blanket encumbrance, a  
23 statement of the consequences for an individual pur-  
24 chaser of a failure, by the person or persons bound, to  
25 fulfill obligations under the instrument or instruments

1 creating such encumbrance and the steps, if any, taken  
2 to protect the purchaser in such eventuality;

3 (7) (A) copy of its articles of incorporation, with all  
4 amendments thereto, if the developer is a corporation;  
5 (B) copies of all instruments by which the trust is  
6 created or declared, if the developer is a trust; (C)  
7 copies of its articles of partnership or association and  
8 all other papers pertaining to its organization, if the  
9 developer is a partnership, unincorporated association,  
10 joint stock company, or any other form of organization;  
11 and (D) if the purported holder of legal title is a person  
12 other than developer, copies of the above documents  
13 for such person;

14 (8) copies of the deed or other instrument estab-  
15 lishing title to the subdivision in the developer or other  
16 person and copies of any instrument creating a lien or  
17 encumbrance upon the title of developer or other person,  
18 or copies of the opinion or opinions of counsel in respect  
19 to the title to the subdivision in the developer or other  
20 person, or copies of the title insurance policy guarantee-  
21 ing such title;

22 (9) copies of all forms of conveyance to be used  
23 in selling or leasing lots to purchasers;

24 (10) copies of instruments creating easements or  
25 other restrictions;



1           (11) such certified and uncertified financial state-  
2           ments as the Secretary may require; and

3           (12) such other information and such other docu-  
4           ments and certifications as the Secretary may require  
5           as being reasonably necessary or appropriate for the  
6           protection of purchasers.

7           TAKING EFFECT OF STATEMENTS OF RECORD AND

8                           AMENDMENTS THERETO

9           SEC. 1307. (a) Except as hereinafter provided, the ef-  
10          fective date of a statement of record, or any amendment  
11          thereto, shall be the thirtieth day after the filing thereof or  
12          such earlier date as the Secretary may determine, having due  
13          regard to the public interest and the protection of purchasers.  
14          If any amendment to any such statement is filed prior to the  
15          effective date of the statement, the statement shall be deemed  
16          to have been filed when such amendment was filed; except  
17          that such an amendment filed with the consent of the Secre-  
18          tary, or filed pursuant to an order of the Secretary, shall be  
19          treated as being filed as of the date of the filing of the state-  
20          ment of record. When a developer records additional lands to  
21          be offered for disposition, he may consolidate the subsequent  
22          statement of record with any earlier recording offering sub-  
23          divided land for disposition under the same promotional plan.  
24          At the time of consolidation the developer shall include in

1 the consolidated statement of record any material changes in  
2 the information contained in the earlier statement.

3 (b) If it appears to the Secretary that a statement of  
4 record, or any amendment thereto, is on its face incomplete  
5 or inaccurate in any material respect, the Secretary shall so  
6 advise the developer within a reasonable time after the filing  
7 of the statement or the amendment, but prior to the date the  
8 statement or amendment would otherwise be effective. Such  
9 notification shall serve to suspend the effective date of the  
10 statement or the amendment until thirty days after the  
11 developer files such additional information as the Secretary  
12 shall require. Any developer, upon receipt of such notice,  
13 may request a hearing, and such hearing shall be held within  
14 twenty days of receipt of such request by the Secretary.

15 (c) If, at any time subsequent to the effective date of a  
16 statement of record, a change shall occur affecting any ma-  
17 terial fact required to be contained in the statement, the  
18 developer shall promptly file an amendment thereto. Upon  
19 receipt of any such amendment, the Secretary may, if he  
20 determines such action to be necessary or appropriate in the  
21 public interest or for the protection of purchasers, suspend  
22 the statement of record until the amendment becomes effec-  
23 tive.



1       (d) If it appears to the Secretary at any time that a  
2 statement of record, which is in effect, includes any untrue  
3 statement of a material fact or omits to state any material  
4 fact required to be stated therein or necessary to make the  
5 statements therein not misleading, the Secretary may, after  
6 notice by personal service or by sending of confirmed tele-  
7 graphic notice, and after opportunity for hearing (at a time  
8 fixed by the Secretary) within fifteen days after such notice,  
9 issue an order suspending the statement of record. When such  
10 statement has been amended in accordance with such order,  
11 the Secretary shall so declare and thereupon the order shall  
12 cease to be effective.

13       (e) The Secretary is hereby empowered to make an  
14 examination in any case to determine whether an order  
15 should issue under subsection (d). In making such examina-  
16 tion, the Secretary or anyone designated by him shall have  
17 access to and may demand the production of any books and  
18 papers of, and may administer oaths and affirmations to and  
19 examine, the developer, any agents, or any other person, in  
20 respect of any matter relevant to the examination. If the  
21 developer or any agents shall fail to cooperate, or shall ob-  
22 struct or refuse to permit the making of an examination, such  
23 conduct shall be proper ground for the issuance of an order  
24 suspending the statement of record.

1       (f) Any notice required under this section shall be sent  
2 to or served on the developer or his authorized agent.

3           INFORMATION REQUIRED IN PROPERTY REPORT

4       SEC. 1308. (a) A property report relating to the lots in  
5 a subdivision shall contain such of the information contained  
6 in the statement of record, and any amendments thereto, as  
7 the Secretary may deem necessary, but need not include the  
8 documents referred to in paragraphs (7) to (11), inclusive,  
9 of section 1306. A property report shall also contain such  
10 other information as the Secretary may by rules or regulations  
11 require as being necessary or appropriate in the public inter-  
12 est or for the protection of purchasers.

13       (b) The property report shall not be used for any  
14 promotional purposes before the statement of record becomes  
15 effective and then only if it is used in its entirety. No per-  
16 son may advertise or represent that the Secretary approves  
17 or recommends the subdivision or the sale or lease of lots  
18 therein. No portion of the property report shall be under-  
19 scored, italicized, or printed in larger or bolder type than the  
20 balance of the statement unless the Secretary requires or  
21 permits it.

22           COOPERATION WITH STATE AUTHORITIES

23       SEC. 1309. (a) In administering this title, the Secretary  
24 shall cooperate with State authorities charged with the re-



1 sponsibility of regulating the sale of lots in subdivisions which  
2 are also subject to this title and may accept for filing under  
3 section 1305 and declare effective as a statement of record,  
4 if he finds such action to be appropriate in the public interest  
5 or for the protection of purchasers, material filed with and  
6 found acceptable by such authorities.

7 (b) Nothing in this title shall affect the jurisdiction of  
8 the real estate commission (or any agency or office perform-  
9 ing like functions) of any State over any subdivision or any  
10 person.

#### 11 CIVIL LIABILITIES

12 SEC. 1310. (a) Where any part of a statement of record,  
13 when such part became effective, contained an untrue state-  
14 ment of a material fact or omitted to state a material fact  
15 required to be stated therein, any person acquiring a lot  
16 in the subdivision covered by such statement of record from  
17 the developer or his agent during such period the statement  
18 remained uncorrected (unless it is proved that at the time of  
19 such acquisition he knew of such untruth or omission) may,  
20 either at law or in equity, in any court of competent juris-  
21 diction, sue the developer.

22 (b) Any developer or agent, who sells or leases a lot  
23 in a subdivision—

24 (1) in violation of section 1304, or

25 (2) by means of a property report which contained

1       an untrue statement of a material fact or omitted to  
2       state a material fact required to be stated therein, may  
3       be sued by the purchaser of such lot.

4       (c) The suit authorized under subsection (a) or (b)  
5       may be to recover such damages as shall represent the  
6       difference between the amount paid for the lot and the cost  
7       of any improvements thereto, and the lesser of (1) the  
8       value thereof as of the time such suit was brought, or (2)  
9       the price at which such lot shall have been disposed of in  
10      a bona fide market transaction before suit, or (3) the price  
11      at which such lot shall have been disposed of after suit in  
12      a bona fide market transaction but before judgment. In any  
13      suit under this section the court may, in its discretion, require  
14      an undertaking for the payment of the costs of such suit,  
15      including reasonable attorney's fees, and if judgment shall  
16      be rendered against a party litigant, upon the motion of the  
17      other party litigant, such costs may be assessed in favor of  
18      such party litigant (whether or not such undertaking has  
19      been required), if the court believes the suit or the defense  
20      to have been without merit, in an amount sufficient to reim-  
21      burse him for the reasonable expenses incurred by him,  
22      in connection with such suit, such costs to be taxed in the  
23      manner usually provided for taxing of costs in the court in  
24      which the suit was heard.

25      (d) Every person who becomes liable to make any



1 payment under this section may recover contribution as in  
2 cases of contract from any person who, if sued separately,  
3 would have been liable to make the same payment, unless  
4 the person who has become liable was, and the other was  
5 not, guilty of fraudulent misrepresentation.

6 (e) In no case shall the amount recoverable under this  
7 section exceed the sum of the purchase price of the lot, the  
8 cost of improvements, and reasonable court costs.

9 COURT REVIEW OF ORDERS

10 SEC. 1311. (a) Any person, aggrieved by an order or  
11 determination of the Secretary issued after a hearing, may  
12 obtain a review of such order or determination in the court of  
13 appeals of the United States, within any circuit wherein such  
14 person resides or has his principal place of business, or in the  
15 United States Court of Appeals for the District of Columbia,  
16 by filing in such court, within sixty days after the entry of  
17 such order or determination, a written petition praying that  
18 the order or determination of the Secretary be modified or  
19 be set aside in whole or in part. A copy of such petition shall  
20 be forthwith transmitted by the clerk of the court to the  
21 Secretary, and thereupon the Secretary shall file in the court  
22 the record upon which the order or determination complained  
23 of was entered, as provided in section 2112 of title 28, United  
24 States Code. No objection to an order or determination of  
25 the Secretary shall be considered by the court unless such

1 objection shall have been urged before the Secretary. The  
2 finding of the Secretary as to the facts, if supported by evi-  
3 dence, shall be conclusive. If either party shall apply to the  
4 court for leave to adduce additional evidence, and shall show  
5 to the satisfaction of the court that such additional evidence  
6 is material and that there were reasonable grounds for failure  
7 to adduce such evidence in the hearing before the Secretary,  
8 the court may order such additional evidence to be taken  
9 before the Secretary and to be adduced upon a hearing in  
10 such manner and upon such terms and conditions as to the  
11 court may seem proper. The Secretary may modify his find-  
12 ings as to the facts by reason of the additional evidence so  
13 taken, and shall file such modified or new findings, which, if  
14 supported by evidence, shall be conclusive, and his recom-  
15 mendation, if any, for the modification or setting aside of the  
16 original order. The jurisdiction of the court shall be exclusive  
17 and its judgment and decree, affirming, modifying, or setting  
18 aside, in whole or in part, any order of the Secretary, shall  
19 be final, subject to review by the Supreme Court of the  
20 United States upon certiorari or certification as provided in  
21 section 1254 of title 28, United States Code.

22 (b) The commencement of proceedings under subsec-  
23 tion (a) shall not, unless specifically ordered by the court,  
24 operate as a stay of the Secretary's order.



# 1 LIMITATION OF ACTIONS

SEC. 1312. No action shall be maintained to enforce any liability created under section 1310 (a) or (b) (2) unless brought within one year after the discovery of the untrue statement or the omission, or after such discovery should have been made by the exercise of reasonable diligence, or, if the action is to enforce a liability created under section 1310 (b) (1), unless brought within two years after the violation upon which it is based. In no event shall any such action be brought by a purchaser more than three years after the sale or lease to such purchaser.

CONTRARY STIPULATIONS VOID

13        SEC. 1313. Any condition, stipulation, or provision bind-  
14        ing any person acquiring any lot in a subdivision to waive  
15        compliance with any provision of this title or of the rules and  
16        regulations of the Secretary shall be void.

## 17 ADDITIONAL REMEDIES

18        SEC. 1314. The rights and remedies provided by this  
19 title shall be in addition to any and all other rights and reme-  
20 dies that may exist at law or in equity.

21 INVESTIGATIONS, INJUNCTIONS, AND PROSECUTION OF  
22 OFFENSES

23 SEC. 1315. (a) Whenever it shall appear to the Secre-  
24 tary that any person is engaged or about to engage in any  
25 acts or practices which constitute or will constitute a viola-

1 tion of the provisions of this title, or of any rule or regula-  
2 tion prescribed pursuant thereto, he may, in his discretion,  
3 bring an action in any district court of the United States, or  
4 the United States District Court for the District of Columbia  
5 to enjoin such acts or practices, and, upon a proper showing,  
6 a permanent or temporary injunction or restraining order  
7 shall be granted without bond. The Secretary may transmit  
8 such evidence as may be available concerning such acts or  
9 practices to the Attorney General who may, in his discretion,  
10 institute the appropriate criminal proceedings under this title.

11 (b) The Secretary may, in his discretion, make such  
12 investigations as he deems necessary to determine whether  
13 any person has violated or is about to violate any provision  
14 of this title or any rule or regulation prescribed pursuant  
15 thereto, and may require or permit any person to file with  
16 him a statement in writing, under oath or otherwise as the  
17 Secretary shall determine, as to all the facts and circum-  
18 stances concerning the matter to be investigated. The Secre-  
19 tary is authorized, in his discretion, to publish information  
20 concerning any such violations, and to investigate any facts,  
21 conditions, practices, or matters which he may deem neces-  
22 sary or proper to aid in the enforcement of the provisions  
23 of this title, in the prescribing of rules and regulations there-  
24 under, or in securing information to serve as a basis for



1 recommending further legislation concerning the matters to  
2 which this title relates.

3 (c) For the purpose of any such investigation, or any  
4 other proceeding under this title, the Secretary, or any of-  
5 ficer designated by him, is empowered to administer oaths  
6 and affirmations, subpoena witnesses, compel their attendance,  
7 take evidence, and require the production of any books,  
8 papers, correspondence, memorandums, or other records  
9 which the Secretary deems relevant or material to the in-  
10 quiry. Such attendance of witnesses and the production of  
11 any such records may be required from any place in the  
12 United States or any State at any designated place of hearing.

13 (d) In case of contumacy by, or refusal to obey a sub-  
14 pena issued to, any person, the Secretary may invoke the  
15 aid of any court of the United States within the jurisdiction  
16 of which such investigation or proceeding is carried on, or  
17 where such person resides or carries on business, in requir-  
18 ing the attendance and testimony of witnesses and the pro-  
19 duction of books, papers, correspondence, memorandums,  
20 and other records and documents. And such court may issue  
21 an order requiring such person to appear before the Sec-  
22 retary or any officer designated by the Secretary, there to  
23 produce records, if so ordered, or to give testimony touching  
24 the matter under investigation or in question; and any fail-  
25 ure to obey such order of the court may be punished by

1 such court as a contempt thereof. All process in any such  
2 case may be served in the judicial district whereof such  
3 person is an inhabitant or wherever he may be found. Any  
4 person who shall, without just cause, fail or refuse to attend  
5 and testify or to answer any lawful inquiry or to produce  
6 books, papers, correspondence, memorandums, and other  
7 records and documents, if in his power so to do, in obedience  
8 to the subpoena of the Secretary, shall be guilty of a mis-  
9 demeanor and, upon conviction, shall be subject to a fine of  
10 not more than \$1,000 or to imprisonment for a term of not  
11 more than one year, or both.

12 (e) No person shall be excused from attending and  
13 testifying or from producing books, papers, correspondence,  
14 memorandums, and other records and documents before the  
15 Secretary, or in obedience to the subpoena of the Secretary or  
16 any officer designated by him, or in any cause or proceeding  
17 instituted by the Secretary, on the ground that the testimony  
18 or evidence, documentary or otherwise, required of him may  
19 tend to incriminate him or subject him to a penalty or for-  
20 feiture; but no individual shall be prosecuted or subject to  
21 any penalty or forfeiture for or on account of any transaction,  
22 matter, or thing concerning which he is compelled, after hav-  
23 ing claimed his privilege against self-incrimination, to testify  
24 or produce evidence, documentary or otherwise, except that  
25 such individual so testifying shall not be exempt from prose-



1 cution and punishment for perjury committed in so  
2 testifying.

3 ADMINISTRATION

4 SEC. 1316. (a) The authority and responsibility for ad-  
5 ministering this title shall be in the Secretary of Housing  
6 and Urban Development who may delegate any of his func-  
7 tions, duties, and powers to employees of the Department of  
8 Housing and Urban Development or to boards of such em-  
9 ployees, including functions, duties, and powers with respect  
10 to investigating, hearing, determining, ordering, or otherwise  
11 acting as to any work, business, or matter under this title.  
12 The persons to whom such delegations are made with respect  
13 to hearing functions, duties, and powers shall be appointed  
14 and shall serve in the Department in compliance with sec-  
15 tions 3105, 3344, 5362, and 7521 of title 5 of the United  
16 States Code. The Secretary shall by rule prescribe such  
17 rights of appeal from the decisions of his hearing examiners  
18 to other hearing examiners or to other officers in the Depart-  
19 ment, to boards of officers or to himself, as shall be appro-  
20 priate and in accordance with law.

21 (b) All hearings shall be public and appropriate records  
22 thereof shall be kept.

23 UNLAWFUL REPRESENTATIONS

24 SEC. 1317. The fact that a statement of record with re-  
25 spect to a subdivision has been filed or is in effect shall not be

1 deemed a finding by the Secretary that the statement of  
2 record is true and accurate on its face, or be held to mean the  
3 Secretary has in any way passed upon the merits of, or given  
4 approval to, such subdivision. It shall be unlawful to make,  
5 or cause to be made, to any prospective purchaser any repre-  
6 sentation contrary to the foregoing.

#### 7 PENALTIES

8 SEC. 1318. Any person who willfully violates any of the  
9 provisions of this title or the rules and regulations prescribed  
10 pursuant thereto, or any person who willfully, in a statement  
11 of record filed under, or in a property report issued pursuant  
12 to, this title, makes any untrue statement of a material fact  
13 or omits to state any material fact required to be stated  
14 therein, shall upon conviction be fined not more than \$5,000  
15 or imprisoned not more than five years, or both.

#### 16 RULES, REGULATIONS, AND ORDERS

17 SEC. 1319. The Secretary shall have authority from time  
18 to time to make, issue, amend, and rescind such rules and  
19 regulations and such orders as are necessary or appropriate  
20 to the exercise of the functions and powers conferred upon  
21 him elsewhere in this title. For the purpose of his rules and  
22 regulations, the Secretary may classify persons and matters  
23 within his jurisdiction and prescribe different requirements  
24 for different classes of persons or matters.



## 1 JURISDICTION OF OFFENSES AND SUITS

2 SEC. 1320. (a) The district courts of the United States,  
3 the United States courts of any territory, and the United  
4 States District Court for the District of Columbia shall have  
5 jurisdiction of offenses and violations under this title and  
6 under the rules and regulations prescribed by the Secretary  
7 pursuant thereto, and, concurrent with State courts, of all  
8 suits in equity and actions at law brought to enforce any  
9 liability or duty created by this title. Any such suit or action  
10 may be brought to enforce any liability or duty created by  
11 this title. Any such suit or action may be brought in the  
12 district wherein the defendant is found or is an inhabitant  
13 or transacts business, or in the district where the offer or  
14 sale took place, if the defendant participated therein, and  
15 process in such cases may be served in any other district of  
16 which the defendant is an inhabitant or wherever the de-  
17 fendant may be found. Judgments and decrees so rendered  
18 shall be subject to review as provided in sections 1254 and  
19 1291 of title 28, United States Code. No case arising under  
20 this title and brought in any State court of competent juris-  
21 diction shall be removed to any court of the United States,  
22 except where the United States or any officer or employee of  
23 the United States in his official capacity is a party. No costs  
24 shall be assessed for or against the Secretary in any proceed-

1 ing under this title brought by or against him in the Supreme  
2 Court or such other courts.

### 3 APPROPRIATIONS

4 SEC. 1321. There are authorized to be appropriated such  
5 sums as may be necessary to carry out this title.

### 6 EFFECTIVE DATE

7 SEC. 1322. This title shall take effect upon the expira-  
8 tion of one hundred and eighty days after the date of its  
9 enactment.

## 10 TITLE XIV—TEN-YEAR HOUSING PROGRAM

### 11 DECLARATION OF PURPOSE

12 SEC. 1401. The Congress finds and declares that the  
13 national commitment to the goal of “a decent home and a  
14 suitable living environment for every American family”,  
15 as set forth in section 2 of the Housing Act of 1949, can  
16 be fulfilled in a ten-year period by the effective utilization,  
17 in accordance with a definite plan, of the available resources  
18 and capabilities existing in the public and private sectors of  
19 the economy. It is the purpose of this title to provide for  
20 the development of such a plan and to require periodic  
21 reporting with respect to the execution thereof.

### 22 REPORT OUTLINING PLAN

23 SEC. 1402. Not later than January 15, 1969, the  
24 President shall make a report to the Congress setting forth



1 a plan, to be carried out over a period of ten years (June 30,  
2 1968, to June 30, 1978), for the elimination of all substand-  
3 ard housing and the realization of the goal referred to in sec-  
4 tion 1401. Such plan shall—

5 (1) indicate the number of new or rehabilitated  
6 housing units which it is anticipated will have to be  
7 provided, with or without Government assistance, during  
8 each fiscal year of the ten-year period, in order to achieve  
9 the objectives of the plan, showing the number of such  
10 units which it is anticipated will have to be provided  
11 under each of the various Federal programs designed to  
12 assist in the provision of housing;

13 (2) indicate the reduction in the number of oc-  
14 cupied substandard housing units which it is anticipated  
15 will have to occur during each fiscal year of the ten-  
16 year period in order to achieve the objectives of the plan;

17 (3) provide an estimate of the cost of carrying out  
18 the plan for each of the various Federal programs and  
19 for each fiscal year during the ten-year period to the  
20 extent that such costs will be reflected in the Federal  
21 budget;

22 (4) make recommendations with respect to any  
23 legislative action which is necessary or desirable to  
24 achieve the objectives of the plan; and

1           (5) provide such other pertinent data, estimates,  
2       and recommendations as the President deems advisable.  
3   Such report shall, in addition, contain a projection of the resi-  
4   dential mortgage market needs and prospects during the com-  
5   ing year, including an estimate of the requirements with  
6   respect to the availability, need, and flow of mortgage funds  
7   (particularly in declining urban and rural areas) during such  
8   year, together with such recommendations as may be deemed  
9   appropriate for encouraging the availability of such funds.

10                               PERIODIC REPORTS

11       SEC. 1403. On January 15, 1970, and on each suc-  
12   ceeding year through 1978, the President shall submit to the  
13   Congress a report which shall—

14           (1) compare the results achieved during the pre-  
15   ceding fiscal year for the completion of new or reha-  
16   bilitated housing units and the reduction in occupied  
17   substandard housing with the objectives established for  
18   such year under the plan;

19           (2) if the comparison provided under clause (1)  
20   shows a failure to achieve the objectives set for such  
21   year, indicate (A) the reasons for such failure; (B)  
22   the steps being taken to achieve the objectives of the  
23   plan during each of the remaining fiscal years of the



1        ten-year period; and (C) any necessary revision in the  
2        objectives established under the plan for each such  
3        year;

(3) project residential mortgage market needs and prospects for the coming calendar year including an estimate of the requirements with respect to the availability, need, and flow of mortgage funds (particularly in declining urban and rural areas) during such period, in order to achieve the objectives of the plan;

(4) provide an analysis of the monetary and fiscal policies of the Government for the coming calendar year required to achieve the objectives of the plan and the impact upon the domestic economy of achieving the plan's objectives for such period;

15           (5) make recommendations with respect to any  
16       additional legislative action which is necessary or desir-  
17       able to achieve the objectives of the plan; and

(6) provide such other pertinent data, estimates,  
and recommendations as the President deems advisable.

## 20 FINAL REPORT

SEC. 1404. On January 15, 1979, the President shall submit to the Congress a final report showing in detail the extent to which the objectives of the plan have been realized. If such objectives have not been achieved, such report shall contain an analysis of the reasons therefor, together with

1 such recommendations as the President deems advisable for  
2 achieving such objectives at the earliest possible date.

## 3 TITLE XV—MISCELLANEOUS

### 4 MODEL CITIES

5 SEC. 1501. (a) Section 111 (a) of the Demonstration  
6 Cities and Metropolitan Development Act of 1966 is  
7 amended by—

8 (1) striking out the word “and” the second time  
9 it appears; and

10 (2) inserting before the period at the end thereof  
11 “, and not to exceed \$12,000,000 for the fiscal year  
12 ending June 30, 1969”.

13 (b) Section 111 (b) of such Act is amended by—

14 (1) striking out the word “and” the third time  
15 it appears; and

16 (2) inserting before the period at the end thereof “,  
17 and not to exceed \$1,000,000,000 for the fiscal year  
18 ending on June 30, 1970”.

19 (c) Section 111 (c) of such Act is amended to read as  
20 follows:

21 “(c) Any amounts appropriated under this section shall  
22 remain available until expended, and any amounts author-  
23 ized for any fiscal year under this section but not appropri-  
24 ated may be appropriated for any succeeding fiscal year  
25 commencing prior to July 1, 1970.”



## 1 URBAN RENEWAL DEMONSTRATION GRANT PROGRAM

2 SEC. 1502. (a) Section 314 (a) of the Housing Act of  
3 1954 is amended by—

4 (1) striking out in the first sentence “to public  
5 bodies, including cities and other political subdivisions,”  
6 and inserting in lieu thereof “to public bodies (includ-  
7 ing cities and other political subdivisions) and nonprofit  
8 organizations”;

9 (2) inserting after the first sentence the following:  
10 “In the case of any such grant to a nonprofit organiza-  
11 tion, the Secretary shall require that the assisted activi-  
12 ties and undertakings are not inconsistent with the  
13 program of the local public agency.”; and

14 (3) striking out in the second sentence “No such  
15 grant shall exceed two-thirds of the cost, as determined  
16 or estimated by the Secretary, of such activities or  
17 undertakings,” and inserting in lieu thereof the follow-  
18 ing: “No such grant shall exceed 90 per centum of the  
19 cost, as determined or estimated by the Secretary, of  
20 the assisted activities or undertakings,”.

21 (b) Section 314 (c) of such Act is amended by striking  
22 out “\$10,000,000” and inserting in lieu thereof “\$20,-  
23 000,000.”

1 AUTHORIZATION FOR URBAN INFORMATION AND TECHNICAL ASSISTANCE SERVICES PROGRAM

3 SEC. 1503. (a) The first sentence of section 906 of the  
4 Demonstration Cities and Metropolitan Development Act of  
5 1966 is amended by striking out "and not to exceed \$5,000,-  
6 000 for the fiscal year ending June 30, 1968" and inserting  
7 in lieu thereof "not to exceed \$5,000,000 for each of the  
8 fiscal years 1968 and 1969, and not to exceed \$15,000,000  
9 for fiscal year 1970".

10 (b) The second sentence of section 906 of such Act is  
11 amended to read as follows: "Any amounts appropriated  
12 under this section shall remain available until expended, and  
13 any amounts authorized for any fiscal year under this section  
14 but not appropriated may be appropriated for any succeeding  
15 fiscal year commencing prior to July 1, 1970."

16 ADVANCES IN TECHNOLOGY IN HOUSING AND URBAN  
17 DEVELOPMENT

18 SEC. 1504. (a) Section 1010 (d) of the Demonstration  
19 Cities and Metropolitan Development Act of 1966 is  
20 amended by inserting before the period at the end of the  
21 first sentence the following: ", and not to exceed such sums  
22 for subsequent fiscal years as may be necessary".

23 (b) Section 1010 (c) of such Act is amended by strik-



1 ing out “two years” in the second sentence and inserting in  
2 lieu thereof “four years”.

3 (c) Section 1010 (a) of such Act is amended—

4 (1) by striking out “and” at the end of paragraph  
5 (1) ;

6 (2) by striking out the period at the end of para-  
7 graph (2) and inserting in lieu thereof “; and”; and

8 (3) by adding after paragraph (2) a new para-  
9 graph as follows:

10 “(3) require, to the greatest extent feasible, the  
11 employment of new and improved technology, tech-  
12 niques, materials, and methods in housing construction,  
13 rehabilitation, and maintenance under programs admin-  
14 istered by the Department of Housing and Urban Devel-  
15 opment with a view to reducing the cost of such construc-  
16 tion, rehabilitation, and maintenance, and stimulating the  
17 increased and sustained production of housing under such  
18 programs.”

19 COLLEGE HOUSING

20 SEC. 1505. (a) The heading of section 401 of the  
21 Housing Act of 1950 is amended by striking out “LOANS”  
22 and inserting in lieu thereof “ASSISTANCE IN THE FORM OF  
23 LOANS OR ANNUAL GRANTS”.

24 (b) Section 401 (a) of such Act is amended to read  
25 as follows:

1       “(a) To assist educational institutions in providing  
2 housing and other educational facilities for students and  
3 faculties, the Secretary may make loans of funds to such  
4 institutions for the construction of such facilities or may, as  
5 an alternative to all or part of the loan (in the case of any  
6 such institution), make annual grants to the institution to  
7 reduce the cost of its borrowing from other sources for such  
8 construction: *Provided*, That no such assistance shall be pro-  
9 vided unless (1) the educational institution involved is un-  
10 able to secure the necessary funds for the construction from  
11 other sources upon terms and conditions equally as favorable  
12 as the terms and conditions applicable to loans under this  
13 title, and (2) the Secretary finds that such construction will  
14 be undertaken in an economical manner, and that it is not or  
15 will not be of elaborate or extravagant design or materials.”

16       (c) Section 401 (c) of such Act is amended—

17               (1) by inserting “(1)” after “(c)”;

18               (2) by striking out “of (1)” and “or (2)” and  
19 inserting in lieu thereof “of (A)” and “or (B)”, respec-  
20 tively; and

21               (3) by adding at the end thereof the following new  
22 paragraph:

23       “(2) Annual grants to an educational institution with  
24 respect to any housing or other educational facilities shall be  
25 made over a fixed period not exceeding 40 years, and



1 provision for such grants shall be embodied in a contract  
2 guaranteeing their payment over such period. Each such  
3 grant shall be in an amount equal to the difference between  
4 (A) the average annual debt service which would be required  
5 to be paid, during the life of the loan, on the amount bor-  
6 rowed from other sources for the construction of such facili-  
7 ties, and (B) the average annual debt service which the  
8 institution would have been required to pay, during the  
9 life of the loan, with respect to such amounts if the applicable  
10 interest rate were the rate specified in paragraph (1):  
11 *Provided*, That the amount on which such grant is based  
12 shall be approved by the Secretary but in no event shall  
13 exceed the total development cost of the facilities.”

14 (d) Section 401 (d) of such Act is amended by insert-  
15 ing “(1)” after “(d)”, and by adding at the end thereof  
16 the following new paragraph:

17 “(2) There are hereby authorized to be appropriated  
18 to the Secretary such sums as may be necessary, together  
19 with loan principal and interest payments made by educa-  
20 tional institutions assisted with loans made hereunder, for  
21 payments on notes or other obligations issued by the Secre-  
22 tary under this section.”

23 (e) Section 401 (f) of such Act is amended to read as  
24 follows:

25 “(f) (1) There are hereby authorized to be appropri-

1 ated to the Secretary such sums as may be necessary for the  
2 payment of annual grants to educational institutions in ac-  
3 cordance with this section.

4 “(2) Contracts for annual grants under this section shall  
5 not be entered into in an aggregate amount greater than is  
6 authorized in appropriation Acts; and in any event the total  
7 amount of annual grants which may be paid to educational  
8 institutions in any year pursuant to contracts entered into  
9 under this section shall not exceed \$10,000,000, which  
10 amount shall be increased by \$10,000,000 on July 1, 1969.”

11 (f) Section 403 of such Act is amended by striking  
12 out “the funds provided for in this title in the form of loans”  
13 and inserting in lieu thereof “the amount of the funds pro-  
14 vided for in this title in the form of loans, and not more than  
15  $12\frac{1}{2}$  per centum of the funds provided for in this title for  
16 grants.”

17 (g) (1) Section 401 (g) of such Act is amended to  
18 read as follows:

19 “(g) Except as otherwise provided in the second para-  
20 graph of section 404 (b), in the case of any loan which is  
21 made under this section to a nonprofit student housing co-  
22 operative corporation referred to in clause (5) of section  
23 404 (b), or which is obtained from other sources by such a  
24 corporation and is the subject of a contract for annual grants  
25 entered into under this section, the Secretary shall require



1 that the note securing such loan be cosigned by the educa-  
2 tional institution (referred to in clause (1) of such section)  
3 at which such corporation is located, and that, in the event  
4 of the dissolution of such corporation, title to the housing  
5 constructed with such loan will vest in such educational  
6 institution.”

7 (2) Clause (3) (B) of section 404 (b) of such Act is  
8 amended by striking out “of any loan secured under this  
9 title” and inserting in lieu thereof the following: “of any  
10 loan which is made under section 401, or is the subject of a  
11 contract for annual grants entered into under section 401,”.

12 (3) Clause (4) of section 404 (b) of such Act is  
13 amended by striking out “to obtain loans” and inserting in  
14 lieu thereof “to obtain loans or grants”.

15 (4) The second paragraph of section 404 (b) of such  
16 Act is amended by inserting after “clause (5) of this sub-  
17 section,” the following: “and in the case of any loan which  
18 is obtained from other sources by such a corporation and  
19 is the subject of a contract for annual grants entered into  
20 under section 401,”.

21 FEDERAL-STATE TRAINING PROGRAMS

22 SEC. 1506. (a) Title VIII of the Housing Act of 1964  
23 is amended—

24 (1) by inserting after “urban centers,” in section  
25 801 (b) the following: “and with business firms and

associations, labor unions, and other interested associations and organizations,";

(2) by striking out "technical and professional people" in sections 801 (b) (1) and 802 (a) (1) and inserting in lieu thereof "technical, professional, and other persons with the capacity to master and employ such skills"; and

(3) by inserting after "which has responsibility for community development" in sections 801 (b) (1) and 802 (a) (1) the following: ", or by a private non-profit organization which is conducting or has responsibility for housing and community development programs".

(b) Section 805 of such Act is amended by inserting "Guam, American Samoa, the Trust Territory of the Pacific Islands," after "the Commonwealth of Puerto Rico,".

#### ADDITIONAL ASSISTANT SECRETARY OF HOUSING

#### URBAN DEVELOPMENT

SEC. 1507. (a) The first sentence of section 4 (a) of the Department of Housing and Urban Development Act is amended by striking out "five" and inserting in lieu thereof "six".

(b) Paragraph (87) of section 5315 of title 5, United States Code, is amended by striking out "(4)" and inserting in lieu thereof "(6)".



## 1 INTERNATIONAL HOUSING

2 SEC. 1508. Section 604 of the Housing Act of 1957 is  
3 amended to read as follows:

4 "SEC. 604. (a) The Secretary of Housing and Urban  
5 Development may exchange data relating to housing and  
6 urban planning and development with other nations and  
7 assemble such data from other nations, through participation  
8 in international conferences and other means, where such ex-  
9 change or assembly is deemed by him to be beneficial in  
10 carrying out his responsibilities under the Department of  
11 Housing and Urban Development Act or other legislation.  
12 In carrying out his responsibilities under this subsection the  
13 Secretary may—

14 "(1) pay the expenses of participation in activi-  
15 ties conducted under authority of this section including,  
16 but not limited to, the compensation, travel expense, and  
17 per diem in lieu of subsistence, of persons serving in an  
18 advisory capacity while away from their homes or reg-  
19 ular places of business in connection with attendance at  
20 international meetings and conferences, or other travel  
21 for the purpose of exchange or assembly of data relating  
22 to housing and urban planning and development; but  
23 such travel expenses shall not exceed those authorized  
24 for regular officers and employees traveling in connec-  
25 tion with said activities; and

1       “(2) accept from international organizations, for-  
2       eign countries, and private nonprofit foundations, funds,  
3       services, facilities, materials, and other donations to be  
4       utilized jointly in carrying out activities under this  
5       section.

6       “(b) International programs and activities carried out  
7       by the Secretary under the authority provided in subsection  
8       (a) shall be subject to the approval of the Secretary of  
9       State for the purpose of assuring that such authority shall  
10      be exercised in a manner consistent with the foreign policy  
11      of the United States.”

12      LOW-RENT PUBLIC HOUSING—CORPORATE STATUS

13      SEC. 1509. (a) The first sentence of section 3 of the  
14      United States Housing Act of 1937 is amended by striking  
15      “a body corporate of perpetual duration to be known as”.

16      (b) Section 17 of such Act is repealed. The capital stock  
17      referred to in such section shall be retired, and the sum of  
18      \$1,000,000 represented by such stock shall be returned to  
19      the Treasury of the United States.

20      (c) Such Act is amended by adding a new section 17  
21      as follows:

22      “SEC. 17. In the performance of, and with respect to,  
23      functions, powers, and duties under this Act, the Secretary  
24      shall have (in addition to any authority otherwise vested in  
25      him) the functions, powers, and duties set forth in subsec-



1 tions (a), (b), and (e) of section 402 of the Housing  
2 Act of 1950.”

3 (d) Section 101 of the Government Corporation Con-  
4 trol Act is amended by striking out “Federal Public Hous-  
5 ing Authority (or United States Housing Authority) and  
6 including public housing projects financed through appropri-  
7 ated funds and operations thereof;”.

8 ELIGIBILITY FOR RENT SUPPLEMENT PAYMENTS

9 SEC. 1510. Notwithstanding any other provision of law  
10 respecting the date after which a mortgage must have been  
11 approved for mortgage insurance under section 221 (d) (3),  
12 of the National Housing Act, the Secretary of Housing and  
13 Urban Development is authorized to make, and contract to  
14 make, rent supplement payments under the provisions of  
15 section 101 of the Housing and Urban Development Act of  
16 1965 to the owners of housing projects known as the 114th  
17 Street rehabilitation project and the 114th Street rehabili-  
18 tation project numbered 2, in New York City, New York,  
19 (project numbers 012-33501 and 012-33512).

20 CONSOLIDATION OF LOW-RENT PUBLIC HOUSING PROJECTS

21 IN THE DISTRICT OF COLUMBIA

22 SEC. 1511. All projects now operated and maintained  
23 by the National Capital Housing Authority pursuant to title  
24 I of the District of Columbia Alley Dwelling Act are deemed

1 to be low-rent housing projects and may be consolidated, pur-  
2 suant to section 15 (6) of the United States Housing Act of  
3 1937, into any contract for annual contributions covering  
4 projects maintained and operated pursuant to title II of the  
5 Alley Dwelling Act.

6 URBAN RENEWAL PROJECT IN GARDEN CITY, MICHIGAN

7 SEC. 1512. Notwithstanding the date of commencement  
8 of construction of the Florence Primary School in Garden  
9 City, Michigan, local expenditures made in connection with  
10 such school shall, to the extent otherwise eligible, be counted  
11 as a local grant-in-aid toward the Cherry Hill urban renewal  
12 project (Mich. R-46) for purposes of title I of the Housing  
13 Act of 1949.

14 URBAN RENEWAL PROJECT IN SACRAMENTO, CALIFORNIA

15 SEC. 1513. Notwithstanding the date of commencement  
16 of construction of the storm drainage system in the Capitol  
17 Mall Riverfront urban renewal project (Calif. R-67) in  
18 Sacramento, California, local expenditures made in connec-  
19 tion with such storm drainage system located in that project,  
20 to the extent otherwise eligible, shall be counted as a local  
21 grant-in-aid toward the Capitol Mall Riverfront urban re-  
22 newal project (Calif. R-67) for purposes of title I of the  
23 Housing Act of 1949.



## SELF-HELP STUDIES

SEC. 1514. (a) Section 207 of the Housing Act of 1961 is amended by inserting after the words "improved means" the following: " , including the study of self-help in the construction, rehabilitation, and maintenance of housing for low-income persons and families and the methods of selecting, involving, and directing such persons and families in self-help activities,".

(b) The Secretary of Housing and Urban Development shall make a report to the Congress, within one year after the date of enactment of this Act, setting forth the results of the self-help studies and demonstrations carried out under section 207 of the Housing Act of 1961, together with such recommendations as he deems appropriate.

## EARTHQUAKE STUDY

SEC. 1515. Section 5 of the Southeast Hurricane Disaster Relief Act of 1965 is amended by striking out "three years after the appropriation of funds for this study" and inserting in lieu thereof "June 30, 1969".

## TECHNICAL AMENDMENTS

SEC. 1516. (a) Section 110 (c) of the Housing Act of 1949 is amended by striking "paragraphs (7), (8), and (9)" in the second unnumbered paragraph following the numbered paragraphs and inserting in lieu thereof "paragraphs (7), (8), (9), and (10)".

1       (b) Section 110(d) of the Housing Act of 1949 is  
2 amended by striking out “clauses (2), (3)” and inserting in  
3 lieu thereof “clauses (2), (3), (7)”.

4       (c) Section 110(e) of the Housing Act of 1949 is  
5 amended by striking out “and (9)” in clause (i) and insert-  
6 ing in lieu thereof “(9), and (10)”.

7       (d) Section 1101(c)(3) of the National Housing Act  
8 is amended by inserting “from the beginning of amortiza-  
9 tion of the mortgage” immediately after “twenty-five years”.

10       (e) Section 213(o) of the National Housing Act is  
11 amended by adding at the end thereof four new sentences  
12 as follows: “Moneys in the Cooperative Management Hous-  
13 ing Insurance Fund not needed for current operations of  
14 the fund shall be deposited with the Treasurer of the United  
15 States to the credit of the Cooperative Management Hous-  
16 ing Insurance Fund or invested in bonds or other obliga-  
17 tions of, or in bonds or other obligations guaranteed as to  
18 principal and interest by, the United States. The Secretary  
19 may, with the approval of the Secretary of the Treasury,  
20 purchase in the open market debentures which are the  
21 obligations of the Cooperative Management Housing Insur-  
22 ance Fund. Such purchases shall be made at a price which  
23 will provide an investment yield of not less than the yield  
24 obtainable from other investments authorized by this sub-



1 section. Debentures so purchased shall be canceled and not  
2 reissued.”

3 (f) Section 810 (e) of the National Housing Act is  
4 amended by—

5 (1) striking “private corporation, association, co-  
6 operative society, or trust” in the first sentence and  
7 inserting in lieu thereof “mortgagor approved by the  
8 Secretary”, and

9 (2) striking “corporation, association, cooperative  
10 society, or trust” in the third and fourth sentences and  
11 inserting in lieu thereof “mortgagor”.

12 HOME OWNERS’ LOAN ACT OF 1933

13 SEC. 1517. (a) (1) Section 5 (c) of the Home Owners’  
14 Loan Act of 1933, as amended (12 U.S.C. 1464 (c) ), is  
15 amended by inserting after the first semicolon in the second  
16 proviso of the first paragraph the following: “or in time  
17 deposits, certificates, or accounts of any bank the deposits  
18 of which are insured by the Federal Deposit Insurance  
19 Corporation;”.

20 (2) The first sentence of the next to the last para-  
21 graph of section 5 (c) of such Act is amended—

22 (A) by inserting “(1)” immediately before  
23 “invest”;

24 (B) by striking out “(1)” before “secured”;

1 (C) by inserting “, now or hereafter in effect,”  
2 after “National Housing Act”; and

3 (D) by striking out all that follows “(2)” and  
4 inserting in lieu thereof the following: “acquire and hold  
5 investments in housing project loans, or interests therein,  
6 having the benefit of any guaranty under section 221  
7 of the Foreign Assistance Act of 1961, as now or here-  
8 after in effect, or loans, or interests therein, having the  
9 benefit of any guaranty under section 224 of such Act,  
10 or any commitment or agreement with respect to such  
11 loans, or interests therein, made pursuant to either of  
12 such sections.”

13 (b) Section 5 (c) of such Act is amended by inserting  
14 in the second paragraph after “property alteration, repair,  
15 or improvement” the following: “, including the construction  
16 of new structures related to residential use of the property”.

17 (c) Section 5 (c) of such Act is amended by adding  
18 at the end thereof a new paragraph as follows:

19 “Any such association may invest in loans, or interests  
20 in loans, to financial institutions, with respect to which  
21 the United States or any agency or instrumentality thereof  
22 has any function of examination or supervision, secured by  
23 loans, obligations, or investments in which it has any  
24 statutory authority to invest directly.”



## 1                                   FEDERAL HOME LOAN BANK ACT

2           SEC. 1518. Section 12 of the Federal Home Loan Bank  
3 Act, as amended (12 U.S.C. 1432), is amended by insert-  
4 ing “(a)” after “SEC. 12.”, and by adding at the end  
5 thereof a new subsection as follows:

6           “(b) Subject to such regulations as may be prescribed  
7 by the board, one or more Federal home loan banks may  
8 acquire, hold, or dispose of, in whole or in part, or facilitate  
9 such acquisition, holding, or disposition by members of any  
10 such bank of, housing project loans, or interests therein,  
11 having the benefit of any guaranty under section 221 of  
12 the Foreign Assistance Act of 1961, as now or hereafter in  
13 effect, or loans, or interests therein, having the benefit of  
14 any guaranty under section 224 of such Act, or any com-  
15 mitment or agreement with respect to such loans, or interests  
16 therein, made pursuant to either of such sections.”

## 17                                   FEDERAL RESERVE ACT

18           SEC. 1519. Section 24 of the Federal Reserve Act, as  
19 amended (12 U.S.C. 371), is amended—

20                   (1) by striking out “twenty-four months”, wher-  
21 ever it appears in the third paragraph and inserting in  
22 lieu thereof “thirty-six months”;

23                   (2) by striking out “when the entire amount of  
24 such obligation is sold to the association”, wherever it  
25 appears in the first and second paragraphs, and inserting

1 in lieu thereof "in whole or in part and at any time or  
2 times prior to the maturity of such obligation"; and

3 (3) by striking out the last paragraph and inserting  
4 in lieu thereof the following:

5 "Loans made to any borrower (i) where the association  
6 looks for repayment by relying primarily on the borrower's  
7 general credit standing and forecast of income, with or with-  
8 out other security, or (ii) where the association relies on  
9 other security as collateral for the loans (including but not  
10 limited to a guaranty of a third party), and where, in either  
11 case described in clause (i) or (ii) above, the association  
12 wishes to take a mortgage, deed of trust, or other instrument  
13 upon real estate (whether or not constituting a first lien) as  
14 a precaution against contingencies, such loans shall not be  
15 considered as real estate loans within the meaning of this  
16 section but shall be classed as ordinary non-real-estate loans."

17 RELEASE FROM LIABILITY UNDER VETERANS' HOME LOAN

18 PROGRAM

19 SEC. 1520. (a) Section 1817 of title 38, United States  
20 Code, is amended (1) by striking out "Whenever" at the  
21 beginning of such section and inserting in lieu thereof "(a)  
22 Whenever"; and (2) by adding at the end of such section  
23 a new subsection as follows:

24 "(b) In order that any veteran who disposes of resi-



1   dential property securing a guaranteed, insured, or direct  
2   loan obtained by him will be informed of the release provi-  
3   sions of subsection (a) of this section, the Administrator  
4   shall require as a condition to guaranteeing or insuring any  
5   home loan under this chapter (including any loan guaranteed  
6   under section 1811 (g) of this title) that the holder of the  
7   instrument creating and securing the loan agree to notify, in  
8   accordance with regulations prescribed by the Administrator,  
9   the veteran, on whose behalf the loan was guaranteed, in-  
10   sured, or made, of the provisions of subsection (a) of this  
11   section before such holder agrees to permit any third person  
12   to assume the obligations of the veteran under the terms of  
13   such instrument. Notification to a veteran under this sub-  
14   section shall include an explanation of his liability in the  
15   event of his failure to obtain a release under subsection (a)  
16   of this section and of any effect such failure may have on  
17   his eligibility for benefits under this chapter. Failure by a  
18   holder of any such instrument to give notice to a veteran  
19   in accordance with regulations of the Administrator shall  
20   release the United States from any obligation on any such  
21   loan. A signed statement by the veteran to the effect that  
22   he has received the notification provided for in this subsection  
23   shall constitute prima facie evidence that such notification  
24   was given.”

25       (b) The amendment made by subsection (a) of this

1 section shall be applicable in the case of all home loans  
2 guaranteed or insured under chapter 37 of title 38, United  
3 States Code, on and after the date of enactment of this  
4 Act (including loans guaranteed under section 1811 (g) of  
5 that title). The Administrator shall take such action as he  
6 deems necessary and appropriate to provide for the notifica-  
7 tion prescribed by section 1817 (b) of title 38, United States  
8 Code, as added by subsection (a) of this section, in the  
9 case of veterans who dispose of residential property with  
10 respect to which they obtained guaranteed, insured, or di-  
11 rect loans prior to the date of enactment of this Act.

12 SHELTER FOR DISASTER VICTIMS

13 SEC. 1521. (a) The President is authorized to provide  
14 dwelling accommodations for any individual or family when-  
15 ever he determines—

16 (1) that such individual or family occupied a house  
17 (as an owner or tenant) which was destroyed, or dam-  
18 aged to such an extent that it is uninhabitable, as the  
19 result of a major disaster occurring after January 1,  
20 1968;

21 (2) that such action is necessary to avoid severe  
22 hardship on the part of such individual family; and

23 (3) that such owner or tenant cannot otherwise  
24 provide suitable dwelling accommodations for himself  
25 and/or his family.



1       (b) Such dwelling accommodations, including mobile  
2 homes, as may be necessary to meet the need, shall be pro-  
3 vided through acquisition, acquisition and rehabilitation, or  
4 lease. Dwelling accommodations in such housing shall be  
5 made available to any such individual or family for such  
6 period as may be necessary to enable the individual or fam-  
7 ily to find other decent, safe, and sanitary housing which is  
8 within his or its ability to finance. Rentals shall be estab-  
9 lished for such accommodations, under such rules and regula-  
10 tions as the President may prescribe and shall take into con-  
11 sideration the financial ability of the occupant. In cases of  
12 financial hardship, rentals may be compromised or adjusted  
13 for a period not to exceed twelve months, but in no case shall  
14 any such individual or family be required to incur a monthly  
15 housing expense (including any fixed expense relating to the  
16 amortization of debt owing on a house destroyed or damaged  
17 in a disaster) which is in excess of 25 per centum of the  
18 individual's or family monthly income.

19       (c) In the performance of, and with respect to, the  
20 powers and duties conferred upon him by this section, the  
21 President may—

22               (1) prescribe such rules and regulations as he deems  
23 necessary to carry out the purposes of this section;

(2) exercise such powers and duties either directly or through such Federal agency or agencies as he may designate;

(3) sell or exchange at public or private sale, or lease, any real property acquired or constructed under this section;

(4) obtain insurance against loss in connection with any such real property;

(5) enter into agreements to pay annual sums in lieu of taxes to any State or local taxing authority with respect to any such real property; and

(6) include in any contract or instrument made pursuant to this section, such conditions and provisions as he deems necessary to assure that the purposes of this section will be achieved.

(d) Such sums as may be necessary to carry out the provisions of this section are authorized to be appropriated.

#### SPECIAL STUDIES OF SAVINGS AND LOAN INDUSTRY

SEC. 1522. That part of chapter IV of the Second Supplemental Appropriation Act, 1966, which relates to expenses necessary for special studies of the savings and loan industry is amended by striking out "1968" and inserting "1969".



## SMALL BUSINESS ACT

1  
2 SEC. 1523. Subsection (a) of section 4 of the Small Busi-  
3 ness Act is amended by inserting immediately after "the  
4 Commonwealth of Puerto Rico," the following: "the Trust  
5 Territory of the Pacific Islands,".

Passed the Senate May 28 (legislative day, May 27),  
1968.

Attest:

FRANCIS R. VALEO,

*Secretary.*





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## AN ACT

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To assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development.

---

MAY 29, 1968

Referred to the Committee on Banking and Currency







# H. R. 17989

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 19, 1968

Mr. PATMAN (for himself, Mr. BARRETT, Mrs. SULLIVAN, Mr. REUSS, Mr. ASHLEY, Mr. MOORHEAD, Mr. ST GERMAIN, Mr. GONZALEZ, Mr. MINISH, Mr. HANNA, Mr. ANNUNZIO, Mr. REES, Mr. WOLFF, Mr. HALPERN, Mr. FRIEDEL, and Mr. PEPPER) introduced the following bill; which was referred to the Committee on Banking and Currency

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## A BILL

To assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That this Act may be cited as the "Housing and Urban  
4       Development Act of 1968".

### DECLARATION OF POLICY

5  
6       SEC. 2. The Congress affirms the national goal, as set  
7       forth in section 2 of the Housing Act of 1949, of "a decent  
8       home and a suitable living environment for every American  
9       family".



1     The Congress finds that this goal has not been fully  
2 realized for many of the Nation's lower income families;  
3 that this is a matter of grave national concern; and that  
4 there exist in the public and private sectors of the economy  
5 the resources and capabilities necessary to the full realiza-  
6 tion of this goal.

7     The Congress declares that in the administration of those  
8 housing programs authorized by this Act which are designed  
9 to assist families with incomes so low that they could not  
10 otherwise decently house themselves, and of other Govern-  
11 ment programs designed to assist in the provision of housing  
12 for such families, the highest priority and emphasis should  
13 be given to meeting the housing needs of those families for  
14 which the national goal has not become a reality; and in  
15 the carrying out of such programs there should be the fullest  
16 practicable utilization of the resources and capabilities of  
17 private enterprise and of individual self-help techniques.

18     JOBS IN HOUSING; EMPLOYMENT OPPORTUNITIES FOR  
19     LOWER INCOME PERSONS IN CONNECTION WITH ASSISTED  
20     PROJECTS

21     SEC. 3. In the administration of the programs authorized  
22 by sections 235 and 236 of the National Housing Act, the  
23 below-market interest rate program under section 221 (d)  
24 (3) of such Act, the low-rent public housing program under  
25 the United States Housing Act of 1937, and the rent supple-

1 ment program under section 101 of the Housing and Urban  
2 Development Act of 1965, the Secretary of Housing and  
3 Urban Development shall require that, to the greatest extent  
4 feasible, opportunities for employment arising in connection  
5 with the construction or rehabilitation of projects assisted  
6 under such programs be given to lower income persons  
7 residing in the area of such projects.

8 IMPROVED ARCHITECTURAL DESIGN IN GOVERNMENT

9 HOUSING PROGRAMS

10 SEC. 4. The Congress finds that Federal aids to housing  
11 have not contributed fully to improvement in architectural  
12 standards. This objective has been contemplated in Federal  
13 housing legislation since the establishment of mortgage insur-  
14 ance through the Federal Housing Administration.

15 The Congress commends the Department of Housing and  
16 Urban Development for its recent efforts to improve archi-  
17 tectural standards through competitive design awards and in  
18 other ways but at the same time recognizes that this impor-  
19 tant objective requires high priority if Federal aid is to make  
20 its full communitywide contribution toward improving our  
21 urban environment.

22 The Congress further finds that even within the neces-  
23 sary budget limitations on housing for low and moderate in-  
24 come families architectural design could be improved not only



1 to make the housing more attractive but to make it better  
2 suited to the needs of occupants.

3 The Congress declares that in the administration of  
4 housing programs which assist in the provision of housing for  
5 low and moderate income families, emphasis should be given  
6 to encouraging good design as an essential component of such  
7 housing and to developing housing which will be of such  
8 quality as to reflect its important relationship to the archi-  
9 tectural standards of the neighborhood and community in  
10 which it is situated, consistent with prudent budgeting.

## 11 TITLE I—LOW AND MODERATE INCOME

### 12 HOUSING

#### 13 HOMEOWNERSHIP FOR LOW AND MODERATE INCOME

#### 14 FAMILIES

15 SEC. 101. (a) Title II of the National Housing Act is  
16 amended by adding at the end thereof the following new  
17 section:

#### 18 “HOMEOWNERSHIP FOR LOW AND MODERATE INCOME

#### 19 FAMILIES

20 “SEC. 235. (a) For the purpose of assisting low and  
21 moderate income families in acquiring homeownership or in  
22 acquiring membership in a cooperative association operating  
23 a housing project, the Secretary is authorized to make, and  
24 to contract to make, periodic assistance payments on behalf  
25 of such homeowners and cooperative members. The assist-

1   ance shall be accomplished through payments to mortgagees  
2   holding mortgages meeting the special requirements specified  
3   in this section.

4       “(b) To qualify for assistance payments, the homeowner  
5   or the cooperative member shall be of low or moderate  
6   income and satisfy eligibility requirements prescribed by the  
7   Secretary, and—

8           “(1) the homeowner shall be a mortgagor under a  
9   mortgage which meets the requirements of and is insured  
10   under subsection (i) or (j) (4) of this section: *Pro-*  
11   *vided*, That a mortgage meeting the requirements of sub-  
12   section (i) (3) (A) of this section but insured under  
13   section 237 may qualify for assistance payments if such  
14   mortgage was executed by a mortgagor who is deter-  
15   mined not to be an acceptable credit risk for mortgage  
16   insurance purposes (but otherwise eligible) under sub-  
17   section (j) (4) of this section or under section 221 (d)  
18   (2) or 234 (c) and accepted as a reasonably satisfac-  
19   tory credit risk under section 237; or

20       “(2) the cooperative association of which the family  
21   is a member shall operate a housing project the con-  
22   struction or substantial rehabilitation of which has been  
23   financed with a mortgage insured under section 213 and  
24   which has been completed within two years prior to the  
25   filing of the application for assistance payments and the



1 dwelling unit has had no previous occupant other than  
2 the family: *Provided*, That assistance payments may be  
3 made with respect to a dwelling unit in an existing  
4 cooperative project which meets such standards as the  
5 Secretary may prescribe: *Provided further*, That a pref-  
6 erence shall be given in contracting to make periodic  
7 assistance payments under this section to a family which  
8 qualifies as a displaced family as defined in section 221  
9 (f), or a family which includes five or more minor  
10 persons, or a family occupying low-rent public housing:  
11 *Provided further*, That the amount of the mortgage  
12 attributable to the dwelling unit shall involve a principal  
13 obligation not in excess of \$15,000 (\$17,500 in any  
14 geographical area where the Secretary authorizes an  
15 increase on the basis of a finding that cost levels so  
16 require), except that with respect to any family with  
17 five or more persons the foregoing limits shall be  
18 \$17,500 and \$20,000, respectively.

19 “(c) The assistance payments to a mortgagee by the  
20 Secretary on behalf of a mortgagor shall be made during  
21 such time as the mortgagor shall continue to occupy the prop-  
22 erty which secures the mortgage: *Provided*, That assistance  
23 payments may be made on behalf of a homeowner who assumes  
24 a mortgage insured under subsection (j) (4) with respect to  
25 which assistance payments have been made on behalf of the

1 previous owner, if the homeowner is approved by the Secretary  
2 as eligible for receiving such assistance. The payment shall be  
3 in an amount not exceeding the lesser of—

4 “(1) the balance of the monthly payment for prin-  
5 cipal, interest, taxes, insurance, and mortgage insurance  
6 premium due under the mortgage remaining unpaid after  
7 applying 20 per centum of the mortgagor’s income: *Pro-*  
8 *vided*, That, in determining a mortgagor’s income for the  
9 purposes of this paragraph, there shall be deducted an  
10 amount equal to \$200 for each minor person who is a  
11 member of the immediate family of, and living with, the  
12 mortgagor, and the earnings of any such minor person  
13 shall not be included in the income of such mortgagor; or

14 “(2) the difference between the amount of the  
15 monthly payment for principal, interest, and mortgage  
16 insurance premium which the mortgagor is obligated to  
17 pay under the mortgage and the monthly payment for  
18 principal and interest which the mortgagor would be obli-  
19 gated to pay if the mortgage were to bear interest at the  
20 rate of 1 per centum per annum.

21 “(d) Assistance payments to a mortgagee by the  
22 Secretary on behalf of a family holding membership in a  
23 cooperative association operating a housing project shall be  
24 made only during such time as the family is an occupant of  
25 such project and shall be in amounts computed on the basis



1 of the formula set forth in subsection (c) applying the co-  
2 operative member's proportionate share of the obligations  
3 under the project mortgage to the items specified in the  
4 formula.

5 “(e) The Secretary may include in the payment to the  
6 mortgagee such amount, in addition to the amount computed  
7 under subsection (c), (d), or (j) (7), as he deems appro-  
8 priate to reimburse the mortgagee for its expenses in han-  
9 dling the mortgage.

10 “(f) Procedures shall be adopted by the Secretary  
11 for recertifications of the mortgagor's (or cooperative mem-  
12 ber's) income at intervals of two years (or at shorter in-  
13 tervals where the Secretary deems it desirable) for the  
14 purpose of adjusting the amount of such assistance payments  
15 within the limits of the formula described in subsection (c).

16 “(g) The Secretary shall prescribe such regulations as  
17 he deems necessary to assure that the sales price of, or other  
18 consideration paid in connection with, the purchase by a  
19 homeowner of the property with respect to which assistance  
20 payments are to be made is not increased above the ap-  
21 praised value on which the maximum mortgage which the  
22 Secretary will insure is computed.

23 “(h) There are authorized to be appropriated such  
24 sums as may be necessary to carry out the provisions of this  
25 section, including such sums as may be necessary to make the

1 assistance payments under contracts entered into under this  
2 section. The aggregate amount of contracts to make such  
3 payments shall not exceed amounts approved in appropria-  
4 tion Acts, and payments pursuant to such contracts shall  
5 not exceed \$75,000,000 per annum prior to July 1, 1969,  
6 which maximum dollar amount shall be increased by \$100,-  
7 000,000 on July 1, 1969, and by \$125,000,000 on July 1,  
8 1970.

9 “(i) (1) The Secretary is authorized, upon applica-  
10 tion by the mortgagee, to insure a mortgage executed by a  
11 mortgagor who meets the eligibility requirements for assist-  
12 ance payments prescribed by the Secretary under subsection  
13 (b). Commitments for the insurance of such mortgages may  
14 be issued by the Secretary prior to the date of their execution  
15 or disbursement thereon, upon such terms and conditions  
16 as the Secretary may prescribe.

17 “(2) To be eligible for insurance under this subsection,  
18 a mortgage shall meet the requirements of section 221  
19 (d) (2) or 234 (c), except as such requirements are modi-  
20 fied by this subsection.

21 “(3) A mortgage to be insured under this subsection  
22 shall—

23 “(A) involve a single-family dwelling which has  
24 been approved by the Secretary prior to the beginning  
25 of construction or substantial rehabilitation, or a two-



1 family dwelling one of the units of which is to be oc-  
2 cupied by the owner if the dwelling is purchased with  
3 the assistance of a nonprofit organization and is approved  
4 by the Secretary prior to the beginning of substantial  
5 rehabilitation, or a one-family unit in a condominium  
6 project (together with an undivided interest in the com-  
7 mon areas and facilities serving the project) which is  
8 released from a multifamily project the construction or  
9 substantial rehabilitation of which has been completed  
10 within two years prior to the filing of the application for  
11 assistance payments with respect to such family unit and  
12 the unit has had no previous occupant other than the  
13 mortgagor: *Provided*, That the mortgage may involve an  
14 existing dwelling or a family unit in an existing con-  
15 dominium project if the dwelling or family unit meets  
16 such standards as the Secretary may prescribe, or if  
17 assistance payments have been made on behalf of the  
18 previous owner of the dwelling or family unit with re-  
19 spect to a mortgage insured under subsection (j) (4) :  
20 *Provided further*, That a preference in extending mort-  
21 gage insurance under this subsection shall be given to a  
22 mortgagor who qualifies as a displaced family as defined  
23 in section 221 (f) , or a family which includes five or  
24 more minor persons, or a family occupying low-rent  
25 public housing: *Provided further*, That the mortgage

1 may involve a dwelling unit in an existing project cov-  
2 ered by a mortgage insured under section 236 or in an  
3 existing project receiving the benefits of financial assist-  
4 ance under section 101 of the Housing and Urban Devel-  
5 opment Act of 1965;

6 “(B) where it is to cover a one-family unit in a  
7 condominium project, have a principal obligation not ex-  
8 ceeding \$15,000 (\$17,500 in any geographical area  
9 where the Secretary authorizes an increase on the basis  
10 of a finding that cost levels so require), except that with  
11 respect to any family with five or more persons the fore-  
12 going limits shall be \$17,500 and \$20,000, respectively;  
13 and

14 “(C) be executed by a mortgagor who shall have  
15 paid (i) in the case of a displaced family as defined in  
16 section 221 (f), at least \$200, or (ii), in the case of  
17 any other family, at least 3 per centum (or such larger  
18 amount as the Secretary may require) of the Secretary’s  
19 estimate of the cost of acquisition, in cash or its equiva-  
20 lent, which amount in either instance may be applied for  
21 the payment of settlement costs and initial payments for  
22 taxes, hazard insurance, mortgage insurance premiums,  
23 and other prepaid expenses.

24 “(j) (1) In addition to mortgages insured under the  
25 provisions of subsection (i), the Secretary is authorized,



1 upon application by the mortgagee, to insure a mortgage  
2 (including advances under such mortgage during rehabilita-  
3 tion) which is executed by a nonprofit organization to finance  
4 the purchase of housing, and the rehabilitation of such hous-  
5 ing if it is deteriorating or substandard, for subsequent resale  
6 to low or moderate income home purchasers who meet the  
7 eligibility requirements for assistance payments prescribed by  
8 the Secretary under subsection (b) . Commitments for the in-  
9 surance of such mortgages may be issued by the Secretary  
10 prior to the date of their execution or disbursement thereon,  
11 upon such terms and conditions as the Secretary may  
12 prescribe.

13 “(2) To be eligible for insurance under paragraph (1)  
14 of this subsection, a mortgage shall—

15 “(A) be executed by a private nonprofit organiza-  
16 tion, approved by the Secretary, for the purpose of  
17 financing the purchase (with the intention of subsequent  
18 resale) , and rehabilitation where the housing involved is  
19 deteriorating or substandard, of property comprising one  
20 or more tracts or parcels, whether or not contiguous,  
21 consisting of (i) four or more single-family dwellings  
22 of detached, semidetached, or row construction, or (ii)  
23 four or more one-family units in a structure or structures  
24 for which a plan of family unit ownership approved by  
25 the Secretary is established; except that in a case not

1 involving the rehabilitation of deteriorating or substand-  
2 ard housing the property purchased may consist of one or  
3 more such dwellings or units;

4 “(B) be in a principal amount not exceeding the  
5 appraised value of the property at the time of its pur-  
6 chase under the mortgage plus the estimated cost of any  
7 rehabilitation;

8 “(C) bear interest (exclusive of premium charges  
9 for insurance and service charge, if any) at not to exceed  
10 such per centum per annum (not in excess of 6 per  
11 centum), on the amount of the principal obligation out-  
12 standing at any time, as the Secretary finds necessary to  
13 meet the mortgage market;

14 “(D) provide for complete amortization (subject to  
15 paragraph (4) (E) ) by periodic payments within such  
16 term as the Secretary may prescribe; and

17 “(E) provide for the release of individual single-  
18 family dwellings from the lien of the mortgage upon  
19 their sale in accordance with paragraph (4).

20 “(3) No mortgage shall be insured under paragraph  
21 (1) unless the mortgagor shall have demonstrated to the  
22 satisfaction of the Secretary that (A) the property involved  
23 is located in a neighborhood which is sufficiently stable and  
24 contains sufficient public facilities and amenities to support  
25 long-term values, or (B) the purchase or rehabilitation of



1 such property plus the mortgagor's related activities and  
2 the activities of other owners of housing in the neighborhood,  
3 together with actions to be taken by public authorities, will  
4 be of such scope and quality as to give reasonable promise  
5 that a stable environment will be created in the neighbor-  
6 hood.

7 “(4) (A) No mortgage shall be insured under para-  
8 graph (1) unless the mortgagor enters into an agreement,  
9 satisfactory to the Secretary, that it will offer to sell the  
10 dwellings involved, after purchase and upon completion of  
11 any rehabilitation, to low or moderate income individuals or  
12 families meeting the eligibility requirements established by  
13 the Secretary under subsection (b).

14 “(B) The Secretary is authorized to insure under this  
15 paragraph mortgages executed to finance the sale of in-  
16 dividual dwellings to low or moderate income purchasers as  
17 provided in subparagraph (A). Any such mortgage shall—

18 “(i) be in a principal amount not in excess of that  
19 portion of the unpaid principal balance of the blanket  
20 mortgage covering the property which is allocable to the  
21 individual dwelling involved;

22 “(ii) bear interest at the same rate as the blanket  
23 mortgage; and

24 “(iii) provide for complete amortization by periodic  
25 payments within a term equal to the remaining term

1 (determined without regard to subparagraph (E) ) of  
2 such blanket mortgage.

3 “(C) The price for which any individual dwelling is sold  
4 under this paragraph shall be in an amount equal to that  
5 portion of the unpaid principal balance of the blanket mort-  
6 gage covering the property which is allocable to the dwelling  
7 plus such additional amount, not less than \$200 (which may  
8 be applied in whole or in part toward closing costs), as the  
9 Secretary may determine to be reasonable.

10 “(D) Upon the sale under this paragraph of any indi-  
11 vidual dwelling, such dwelling shall be released from the  
12 lien of the blanket mortgage. Until all of the individual  
13 dwellings in the property covered by the blanket mortgage  
14 have been sold, the mortgagor shall hold and operate the  
15 dwellings remaining unsold at any given time, in such  
16 manner and under such terms as the Secretary may prescribe,  
17 as though they constituted rental units.

18 “(E) Upon the sale under this paragraph of all the  
19 individual dwellings in the property covered by the blanket  
20 mortgage and the release of all individual dwellings from  
21 the lien of the blanket mortgage, the insurance of the blanket  
22 mortgage shall be terminated and no adjusted premium  
23 charge shall be charged by the Secretary upon such  
24 termination.



1       “(5) Where the Secretary has approved a plan of  
2 family unit ownership, the terms ‘single-family dwelling’,  
3 ‘single-family dwellings’, ‘individual dwelling’, and ‘individ-  
4 ual dwellings’ shall mean a family unit or family units,  
5 together with the undivided interest (or interests) in the  
6 common areas and facilities.

7       “(6) For purposes of this subsection, the terms ‘single-  
8 family dwelling’ and ‘single-family dwellings’ (except for  
9 purposes of paragraph (5)) shall include a two-family  
10 dwelling which has been approved by the Secretary if one  
11 of the units is to be occupied by the owner.

12       “(7) In addition to the assistance payments authorized  
13 under subsection (b), the Secretary may make such pay-  
14 ments to a mortgagee on behalf of a nonprofit organization  
15 which is a mortgagor under the provisions of paragraph  
16 (1) in an amount not exceeding the difference between the  
17 monthly payment for principal, interest, and mortgage  
18 insurance premium which the mortgagor is obligated to pay  
19 under the mortgage and the monthly payment for principal  
20 and interest such mortgagor would be obligated to pay if the  
21 mortgage were to bear interest at the rate of 1 per centum  
22 per annum.

23       “(k) The Secretary shall from time to time allocate  
24 and transfer to the Secretary of Agriculture, for use (in ac-  
25 cordance with the terms and conditions of this section) in

1 rural areas and small towns, a reasonable portion of the total  
2 authority to contract to make assistance payments as ap-  
3 proved in appropriation Acts under subsection (h).”

4 (b) (1) Section 221 (d) (2) (A) of the National Hous-  
5 ing Act is amended—

6 (A) by striking out “not to exceed (i) \$12,500”  
7 and inserting in lieu thereof “not to exceed (i)  
8 \$15,000 (or \$17,500, if the mortgagor’s family includes  
9 five or more persons)”; and

10 (B) by striking out “not to exceed \$15,000” in  
11 the second proviso and inserting in lieu thereof “not to  
12 exceed \$17,500 (or \$20,000 if the mortgagor’s family  
13 includes five or more persons)”.

14 (2) Section 221 (d) (2) (B) of such Act is amended—

15 (A) by inserting “, in cash or its equivalent” be-  
16 fore the semicolon after “acquisition cost” in the first  
17 proviso; and

18 (B) by inserting before the semicolon after “ap-  
19 praised value” at the end thereof the following: “: *Pro-*  
20 *vided further*, That, if the mortgagor is the owner and  
21 an occupant of the property, such mortgagor shall to  
22 the maximum extent feasible be given the opportunity  
23 to contribute the value of his labor as equity in such  
24 dwelling”.



1       (c) (1) Section 221 (h) (5) (B) (ii) of such Act is  
2 amended to read as follows:

3               “(ii) bear interest at the same rate as the  
4 principal mortgage or such lower rate, not less than  
5 1 per centum, as the Secretary may prescribe if in  
6 his judgment the purchaser’s income is sufficiently  
7 low to justify the lower rate, and provide for com-  
8 plete amortization within a term equal to the  
9 remaining term (determined without regard to  
10 subparagraph (E) ) of such principal mortgage.”

11       (2) Section 221 (h) (4) of such Act is amended by  
12 striking out “\$20,000,000” and inserting in lieu thereof  
13 “\$50,000,000”.

14       (3) Section 221 (h) of such Act is further amended by  
15 adding at the end thereof the following new paragraph:

16       “(6) In addition to the mortgages that may be insured  
17 under paragraphs (1) and (5), the Secretary is authorized  
18 to insure under this subsection, upon such terms and con-  
19 ditions as he may prescribe, mortgages which are executed  
20 by individuals or families that meet the income criteria  
21 prescribed in paragraph (5) (A) and are executed for the  
22 purpose of financing the rehabilitation or improvement of  
23 single-family dwellings of detached, semidetached, or row  
24 construction that are owned and occupied in each instance by

1 a mortgagor who has purchased the dwelling from a non-  
2 profit organization of the type described in this subsection.

3 To be eligible for such insurance, a mortgage shall—

4 “(A) be in a principal amount not exceeding the  
5 lesser of \$15,000 or the sum of the estimated cost of  
6 repair and rehabilitation and the Secretary’s estimate  
7 of the value of the property before repair and rehabilita-  
8 tion, except that in no case involving refinancing shall  
9 such mortgage exceed such estimated cost of repair and  
10 rehabilitation and the amount (as determined by the  
11 Secretary) required to refinance existing indebtedness  
12 secured by the property;

13 “(B) bear interest (exclusive of premium charges  
14 for insurance and service charge, if any) at 3 per centum  
15 per annum or such lower rate, not less than 1 per centum,  
16 as the Secretary may prescribe if in his judgment the  
17 mortgagor’s income is sufficiently low to justify the  
18 lower rate;

19 “(C) involve a mortgagor that shall have paid on  
20 account of the property at the time of the rehabilitation  
21 such amount (which shall not be less than \$200 in cash  
22 or its equivalent, but which may be applied in whole or  
23 in part toward closing costs) as the Secretary may de-



1        termine to be reasonable and appropriate under the  
2        circumstances; and

3            “(D) contain a provision that if the low-income  
4        mortgagor does not continue to occupy the property, the  
5        interest rate shall increase to the highest rate permissible  
6        under this section and the regulations of the Secretary  
7        effective at the time of commitment for insurance of the  
8        mortgage; except that the increase in interest rate shall  
9        not be applicable if the property is sold and the pur-  
10      chaser is (i) a nonprofit organization which has been  
11      engaged in purchasing and rehabilitating deteriorating  
12      and substandard housing with financing under a mort-  
13      gage insured under paragraph (1) of this subsection,  
14      (ii) a public housing agency having jurisdiction under  
15      the United States Housing Act of 1937 over the area  
16      where the dwelling is located, or (iii) a low-income pur-  
17      chaser approved for the purposes of this paragraph by  
18      the Secretary.”

19      (4) The purchase of any individual dwelling, sold by  
20      a nonprofit organization pursuant to the provisions of section  
21      221 (h) (5) of the National Housing Act after the date of  
22      enactment of this section, may be financed with a mortgage  
23      insured under the provisions of section 235 (j) (4) of such  
24      Act, but such mortgage shall bear interest at the rate pro-  
25      vided in section 235 (j) (2) (C) of such Act.

1 (d) Section 212 (a) of such Act is amended by in-  
2 serting "or section 235 (j) (1)" after "subsection (h) (1)"  
3 each place it appears.

4 (e) The Secretary of Housing and Urban Develop-  
5 ment is authorized to provide, or contract with public or  
6 private organizations to provide, such budget, debt manage-  
7 ment, and related counseling services to mortgagors whose  
8 mortgages are insured under section 235 (i) or 235 (j)  
9 (4) of the National Housing Act as he determines to be  
10 necessary to assist such mortgagors in meeting the respon-  
11 sibilities of homeownership. There are authorized to be  
12 appropriated such sums as may be necessary to carry out  
13 the provisions of this subsection.

14 CREDIT ASSISTANCE

15 SEC. 102. (a) Title II of the National Housing Act  
16 is amended by adding after section 236 (as added by sec-  
17 tion 201 of this Act) the following new section:

18 "SPECIAL MORTGAGE INSURANCE ASSISTANCE

19 "SEC. 237. (a) The purpose of this section is to help  
20 provide adequate housing for families of low and moderate  
21 income, including those who, for reasons of credit history,  
22 irregular income patterns caused by seasonal employment,  
23 or other factors, are unable to meet the credit requirements  
24 of the Secretary for the purchase of a single-family home  
25 financed by a mortgage insured under section 203, 220,



1 221, 234, or 235 (j) (4), but who, through the incentive  
2 of homeownership and counseling assistance, appear to be  
3 able to achieve homeownership.

4 “(b) The Secretary is authorized upon application by  
5 the mortgagee to insure under this section any mortgage  
6 meeting the requirements of this section.

7 “(c) To be eligible for insurance under this section, a  
8 mortgage shall—

9 “(1) meet the requirements of section 203, 220  
10 (d) (3) (A), 221 (d) (2), 221 (h) (5), 221 (i), 234  
11 (c), or 235 (j) (4) except as such requirements are  
12 modified by this section;

13 “(2) involve a principal obligation (including such  
14 initial service charges, and such appraisal, inspection,  
15 and other fees, as the Secretary shall approve) in an  
16 amount not to exceed \$15,000: *Provided*, That the Sec-  
17 retary may increase the amount to not exceed \$17,500  
18 in any geographical area where he finds that cost levels  
19 so require: *Provided further*, That no mortgage meeting  
20 the requirements of section 203 (h) or 203 (i) shall be  
21 eligible for insurance under this section if its principal  
22 obligation is in excess of the maximum limits prescribed  
23 in such section;

24 “(3) be executed by a mortgagor who the Secre-  
25 tary has determined, after a full and complete study of

1 the case, would not be an acceptable credit risk for mort-  
2 gage insurance purposes under section 203, 220, 221,  
3 234, or 235 (j) (4), because of his credit standing, debt  
4 obligations, total annual income, or income characteris-  
5 tics, but who the Secretary is satisfied would be a reason-  
6 ably satisfactory credit risk, consistent with the objec-  
7 tives stated in subsection (a), if he were to receive  
8 budget, debt management, and related counseling: *Pro-*  
9 *vided*, That, in determining whether the mortgagor is a  
10 reasonably satisfactory credit risk, the Secretary shall  
11 review the credit history of the applicant giving special  
12 consideration to those delinquent accounts which were  
13 ultimately paid by the applicant and to extenuating  
14 factors which may have caused credit accounts of the  
15 applicant to become delinquent; and the Secretary shall  
16 also give special consideration to income characteristics  
17 of applicants whose total income over the two years prior  
18 to their applications has remained at levels of eligibility  
19 (as required under paragraph (4) of this subsection),  
20 but who, because of the character of their seasonal em-  
21 ployment or for other reasons, have not maintained con-  
22 tinuous employment under one employer during that  
23 time; and

24 “(4) require monthly payments which, in combi-  
25 nation with local real estate taxes on the property in-



1       volved, do not exceed 25 per centum of the applicant's  
2       income, based on his average monthly income during the  
3       year prior to his application or the average monthly  
4       income during the three years prior to his application,  
5       whichever is higher.

6       “(d) The Secretary shall give preference in approving  
7       mortgage insurance applications under this section to families  
8       living in public housing units, especially those families re-  
9       quired to leave public housing because their incomes have  
10      risen beyond the maximum prescribed income limits, and  
11      families eligible for residence in public housing who have  
12      been displaced from federally assisted urban renewal areas.

13      “(e) The Secretary is authorized to provide, or contract  
14      with public or private organizations to provide, such budget,  
15      debt management, and related counseling services to mort-  
16      gagors whose mortgages are insured under this section as he  
17      determines to be necessary to meet the objectives of this sec-  
18      tion. The Secretary may also provide such counseling to  
19      otherwise eligible families who lack sufficient funds to supply  
20      a downpayment to help them to save an amount necessary  
21      for that purpose.

22      “(f) The aggregate principal balance of all mortgages  
23      insured under this section and outstanding at one time shall  
24      not exceed \$100,000,000.

25      “(g) There are authorized to be appropriated such sums

1 as may be necessary to carry out the provisions of subsec-  
2 tion (e) of this section."

3 (b) Section 226 of the National Housing Act is  
4 amended by inserting "235 (i), 237," after "234,".

5 RELAXATION OF MORTGAGE INSURANCE REQUIREMENTS

6 IN CERTAIN URBAN NEIGHBORHOODS

7 SEC. 103. (a) Section 223 of the National Housing Act  
8 is amended by adding at the end thereof a new subsection as  
9 follows:

10 " (e) Notwithstanding any of the provisions of this title  
11 except section 212, and without regard to limitations upon  
12 eligibility contained in any section of this title, the Secretary  
13 is authorized, upon application by the mortgagee, to insure  
14 under any section of this title a mortgage executed in con-  
15 nection with the repair, rehabilitation, construction, or pur-  
16 chase of property located in an older, declining urban area in  
17 which the conditions are such that one or more of the eligi-  
18 bility requirements applicable to the section of this title under  
19 which insurance is sought could not be met, if the Secretary  
20 finds that (1) the area is reasonably viable, giving consid-  
21 eration to the need for providing adequate housing for  
22 families of low and moderate income in such area, and (2)  
23 the property is an acceptable risk in view of such considera-  
24 tion. The insurance of a mortgage pursuant to this subsection  
25 shall be the obligation of the Special Risk Insurance Fund."



1 (b) Section 203 (l) of such Act is repealed.

2 SPECIAL RISK INSURANCE FUND

3 SEC. 104. (a) Title II of the National Housing Act is  
4 amended by adding after section 237 (as added by section  
5 102 of this Act) the following new section:

6 "PAYMENT OF INSURANCE—SPECIAL RISK INSURANCE  
7 FUND

8 "SEC. 238. (a) (1) Any mortgagee under a mortgage  
9 insured under section 235 (i), 235 (j) (4), or 237 shall be  
10 entitled to receive the benefits of the insurance as provided in  
11 section 204 (a) with respect to mortgages insured under sec-  
12 tion 203. The provisions of subsections (b), (c), (d), (g),  
13 (j), and (k) of section 204 shall be applicable to mortgages  
14 insured under section 235 (i), 235 (j) (4), or 237, except that  
15 all references therein to the 'Mutual Mortgage Insurance Fund'  
16 shall be construed to refer to the 'Special Risk Insurance  
17 Fund', and all references therein to section 203 shall be con-  
18 strued to refer to section 235 (i), 235 (j) (4), or 237, as  
19 may be appropriate.

20 "(2) Any mortgagee under a mortgage insured under  
21 section 235 (j) (1) or 236 shall be entitled to receive the  
22 benefits of insurance as provided in section 207 (g) with  
23 respect to mortgages insured under section 207. The pro-  
24 visions of subsections (d), (e), (h), (i), (j), (k), (l),  
25 and (n) of section 207 shall be applicable to mortgages in-

1   sured under section 235 (j) (1) or 236, except that all  
2   references therein to the 'General Insurance Fund' shall be  
3   construed to refer to the 'Special Risk Insurance Fund' and  
4   the premium charge provided in section 207 (d) shall be  
5   payable only in cash or debentures of the Special Risk  
6   Insurance Fund.

7       “(3) In lieu of the amount of insurance benefits com-  
8   puted pursuant to paragraph (1) or (2) of this subsection,  
9   the Secretary, in his discretion and in accordance with such  
10  regulations as he may prescribe, may (with respect to any  
11  mortgage loan acquired by him) compute and pay insur-  
12  ance benefits to the mortgagee in a total amount equal to the  
13  unpaid principal balance of the loan plus any accrued inter-  
14  est and any advances approved by the Secretary and made  
15  previously by the mortgagee under the provisions of the  
16  mortgage.

17       “(b) There is hereby created a Special Risk Insurance  
18  Fund (hereinafter referred to as the 'fund') which shall be  
19  used by the Secretary as a revolving fund for carrying out  
20  the mortgage insurance obligations of sections 223 (e), 233  
21  (a) (2), 235, 236, and 237, and the Secretary is hereby au-  
22  thorized to advance to the fund the sum of \$5,000,000 from  
23  the General Insurance Fund established pursuant to the pro-  
24  visions of section 519. Such advance shall be repayable at  
25  such times and at such rates of interest as the Secretary



1 deems appropriate. Premium charges, adjusted premium  
2 charges, inspection and other fees, service charges, and any  
3 other income received by the Secretary under sections 223  
4 (e), 235, 236, and 237, together with all earnings on the  
5 assets of the fund, shall be credited to the fund. All payments  
6 made pursuant to claims of mortgagees with respect to mort-  
7 gages insured under sections 235, 236, and 237 or pursuant  
8 to section 223 (e) or 233 (a) (2), cash adjustments, the  
9 principal of and interest paid on debentures which are the  
10 obligation of the fund, expenses incurred in connection with  
11 or as a consequence of the acquisition and disposal of property  
12 acquired under such sections, and all administrative ex-  
13 penses in connection with the mortgage insurance op-  
14 erations under such sections shall be paid out of the  
15 fund. There is authorized to be appropriated such sums  
16 as may be needed from time to time to cover losses sustained  
17 by the fund in carrying out the mortgage insurance obliga-  
18 tions of sections 223 (e), 233 (a) (2), 235, 236, and 237.  
19 Moneys in the fund not needed for current operations of the  
20 fund shall be deposited with the Treasurer of the United  
21 States to the credit of the fund or invested in bonds or other  
22 obligations of, or in bonds or other obligations guaranteed by,  
23 the United States. The Secretary, with the approval of the  
24 Secretary of the Treasury, may purchase in the open market  
25 debentures which are the obligation of the fund. Such pur-

1 chases shall be made at a price which will provide an invest-  
 2 ment yield of not less than the yield obtained from other in-  
 3 vestments authorized by this section. Debentures so purchased  
 4 shall be canceled and not reissued."

5 (b) Section 224 of such Act is amended by striking  
 6 out "or section 233" and inserting in lieu thereof "section  
 7 233, or section 238".

8 (c) Section 519 (e) of such Act is amended by inserting  
 9 after "section 213 (k)" the following: ", or the provisions  
 10 of sections 223 (e), 233 (a) (2), 235, 236, and 237".

#### 11 CONDOMINIUM AND COOPERATIVE OWNERSHIP FOR LOW

#### 12 AND MODERATE INCOME FAMILIES

13 SEC. 105. (a) Section 221 of the National Housing  
 14 Act is amended by adding at the end thereof two new sub-  
 15 sections as follows:

16 "(i) (1) The Secretary is authorized, with respect to  
 17 any project involving a mortgage insured under subsection  
 18 (d) (3) which bears interest at the below-market interest  
 19 rate prescribed in the proviso of subsection (d) (5), to per-  
 20 mit a conversion of the ownership of such project to a plan  
 21 of family unit ownership. Under such plan, each family  
 22 unit shall be eligible for individual ownership and provision  
 23 shall be included for the sale of the family units, together  
 24 with an undivided interest in the common areas and facilities  
 25 which serve the project, to low or moderate income pur-



1 chasers. The Secretary shall obtain such agreements as he  
2 determines to be necessary to assure continued maintenance  
3 of the common areas and facilities. Upon such sale, the family  
4 unit and the undivided interest in the common areas shall  
5 be released from the lien of the project mortgage.

6 “(2) (A) The Secretary is authorized, upon applica-  
7 tion by the mortgagee, to insure under this subsection mort-  
8 gages financing the purchase of individual family units under  
9 the plan prescribed in paragraph (1). Commitments may be  
10 issued by the Secretary for the insurance of such mortgages  
11 prior to the date of their execution or disbursement thereon,  
12 upon such terms and conditions as the Secretary may pre-  
13 scribe. To be eligible for such insurance, the mortgage  
14 shall—

15 “(i) be executed by a mortgagor having an income  
16 within the limits prescribed by the Secretary for occu-  
17 pants of projects financed with a mortgage insured un-  
18 der subsection (d) (3) which bears interest at the  
19 below-market rate prescribed in the proviso of subsec-  
20 tion (d) (5) ;

21 “(ii) involve a principal obligation (including such  
22 initial service charges, and such appraisal, inspection,  
23 and other fees, as the Secretary shall approve) in an  
24 amount not to exceed the Secretary’s estimate of the ap-  
25 praised value of the family unit, including the mort-

gagor's interest in the common areas and facilities, as of the date the mortgage is accepted for insurance;

“(iii) bear interest at a rate determined by the Secretary (which may vary in accordance with the regulations of the Secretary promulgated pursuant to the last sentence of paragraph (4) of this subsection) but not less than the below-market rate in effect under the proviso of subsection (d) (5) at the date of the commitment for insurance; and

“(iv) provide for complete amortization by periodic payments within such term as the Secretary may prescribe, but not to exceed the lesser of forty years from the beginning of amortization of the mortgage or three-quarters of the Secretary's estimate of the remaining economic life of the building improvements.

“(B) The price for which the individual family unit is sold to the low or moderate income purchaser shall not exceed the appraised value of the property, as determined under subparagraph (A) (ii), except that the purchaser shall be required to pay on account of the property at the time of purchase at least such amount, in cash or its equivalent (which shall be not less than 3 per centum of such price, but which may be applied in whole or in part toward closing costs), as the Secretary may determine to be reasonable and appropriate.



1       “(3) Upon the sale of all of the family units covered  
2 by the project mortgage, and the release of all of the family  
3 units (including the undivided interest allocable to each unit  
4 in the common areas and facilities) from the lien of the proj-  
5 ect mortgage, the insurance of the project mortgage shall be  
6 terminated and no adjusted premium charge shall be collected  
7 by the Secretary upon such termination.

8       “(4) Any mortgage covering an individual family unit  
9 insured under this subsection shall contain a provision that,  
10 if the original mortgagor does not continue to occupy the  
11 property, the interest rate shall increase to the highest rate  
12 permissible under this section and the regulations of the  
13 Secretary effective at the time the commitment was issued  
14 for the insurance of the project mortgage; except that the  
15 requirement for an increase in interest rate shall not be appli-  
16 cable if the property is sold and the purchaser is (i) a non-  
17 profit purchaser approved by the Secretary, or (ii) a low  
18 or moderate income purchaser who has an income within  
19 the limits prescribed by the Secretary for occupants of proj-  
20 ects financed with a mortgage insured under subsection  
21 (d) (3) which bears interest at the below-market rate pre-  
22 scribed in the proviso of subsection (d) (5). The mortgage  
23 shall also contain a provision that, if the Secretary determines  
24 that the annual income of the original mortgagor (or a pur-  
25 chaser described in clause (ii) of the preceding sentence) has

1 increased to an amount enabling payment of a greater rate  
2 of interest, the interest rate of the individual mortgage may  
3 be increased up to the highest rate permissible under the  
4 regulations of the Secretary for mortgages insured under this  
5 section effective at the time the commitment was issued for  
6 the insurance of the mortgage.

7 “(5) For the purpose of this subsection—

8 “(i) the term ‘mortgage’, when used in relation  
9 to a mortgage insured under paragraph (2) of this  
10 subsection, includes a first mortgage given to secure the  
11 unpaid purchase price of a fee interest in, or a long-  
12 term lease-hold interest in, a one-family unit in a multi-  
13 family project and an undivided interest in the common  
14 areas and facilities which serve the project; and

15 “(ii) the term ‘common areas and facilities’ includes  
16 the land and such commercial, community, and other  
17 facilities as are approved by the Secretary.

18 “(j) (1) The Secretary is authorized, with respect to  
19 any rental project involving a mortgage insured under sub-  
20 section (d) (3) which bears interest at the below-market  
21 interest rate prescribed in the proviso of subsection (d) (5),  
22 to permit a conversion of the ownership of such project  
23 to a cooperative approved by the Secretary. Membership  
24 in such cooperative shall be made available only to those



1 families having an income within the limits prescribed by  
2 the Secretary for occupants of projects financed with a  
3 mortgage insured under subsection (d) (3) which bears  
4 interest at such below-market rate: *Provided*, That families  
5 residing in the rental project at the time of its conversion  
6 to a cooperative who do not meet such income limits may  
7 be permitted to become members in the cooperative under  
8 such special terms and conditions as the Secretary may  
9 prescribe.

10 “(2) The Secretary is authorized, upon application by  
11 the mortgagee, to insure under this subsection cooperative  
12 mortgages financing the purchase of projects meeting the  
13 requirements of paragraph (1). Commitments may be issued  
14 by the Secretary for the insurance of such mortgages prior  
15 to the date of their execution or disbursement thereon, upon  
16 such terms and conditions as the Secretary may prescribe.  
17 To be eligible for such insurance, the mortgage shall—

18 “(i) involve a principal obligation (including such  
19 initial service charges and appraisal, inspection, and other  
20 fees as the Secretary shall approve) in an amount not  
21 exceeding the appraised value of the property for con-  
22 tinued use as a cooperative, which value shall be based  
23 upon a mortgage amount on which the debt service can  
24 be met from the income of the property when operated

1 on a nonprofit basis, after the payment of all operating  
2 expenses, taxes, and required reserves;

3 “(ii) bear interest at the below-market rate pre-  
4 scribed in the proviso of subsection (d) (5) ; and

5 “(iii) provide for complete amortization within such  
6 term as the Secretary may prescribe.”

7 (b) Section 221 (g) (1) of such Act is amended by  
8 striking out “or paragraph (5) of subsection (h) of this  
9 section” and inserting in lieu thereof “paragraph (5) of sub-  
10 section (h) of this section, or paragraph (2) of subsection  
11 (i) of this section”.

12 (c) Section 221 (g) (2) of such Act is amended by  
13 striking out “or paragraph (1) of subsection (h)” and  
14 inserting in lieu thereof “paragraph (1) of subsection (h) of  
15 this section, or paragraph (2) of subsection (j) ,”.

16 (d) Section 221 (f) of such Act is amended by insert-  
17 ing after “subsection (h) ” in the third sentence of the second  
18 paragraph the following: “, (i) , or (j) ”.

19 ASSISTANCE TO NONPROFIT SPONSORS OF LOW AND  
20 MODERATE INCOME HOUSING

21 SEC. 106. (a) The Secretary of Housing and Urban  
22 Development is authorized to provide, or contract with public  
23 or private organizations to provide, information, advice, and  
24 technical assistance with respect to the construction, re-



1 habilitation, and operation by nonprofit organizations of  
2 housing for low or moderate income families. Assistance by  
3 the Secretary may include—

4           (1) the assembly, correlation, publication, and dis-  
5       semination of information with respect to the construc-  
6       tion, rehabilitation, and operation of low and moderate  
7       income housing, and

8           (2) the provision of advice and technical assistance  
9       with respect to the construction, rehabilitation, and op-  
10      eration of low and moderate income housing.

11       (b) (1) The Secretary is authorized to make loans to  
12 nonprofit organizations for the necessary expenses, prior to  
13 construction, in planning, and obtaining financing for, the re-  
14 habilitation or construction of housing for low or moderate in-  
15 come families under any federally assisted program. Such  
16 loans shall be made without interest and shall not exceed 80  
17 per centum of the reasonable costs expected to be incurred in  
18 planning, and in obtaining financing for, such housing prior  
19 to the availability of financing, including, but not limited  
20 to, preliminary surveys and analyses of market needs, pre-  
21 liminary site engineering and architectural fees, site acqui-  
22 sition, application and mortgage commitment fees, and con-  
23 struction loan fees and discounts. The Secretary shall require  
24 repayment of loans made under this subsection, under such  
25 terms and conditions as he may require, upon completion

1 of the project or sooner, and may cancel any part or all of  
2 a loan if he determines that it cannot be recovered from  
3 the proceeds of any permanent loan made to finance the  
4 rehabilitation or construction of the housing.

5 (2) The Secretary shall determine prior to the making  
6 of any loan that the nonprofit organization meets such re-  
7 quirements with respect to financial responsibility and stabil-  
8 ity as he may prescribe.

9 (3) There are authorized to be appropriated for the pur-  
10 poses of this subsection not to exceed \$7,500,000 for the  
11 fiscal year ending June 30, 1969, and not to exceed \$10,-  
12 000,000 for the fiscal year ending June 30, 1970. Any  
13 amounts so appropriated shall remain available until ex-  
14 pended, and any amounts authorized for any fiscal year under  
15 this paragraph but not appropriated may be appropriated  
16 for any succeeding fiscal year.

17 (4) All funds appropriated for the purposes of this sub-  
18 section shall be deposited in a fund which shall be known  
19 as the Low and Moderate Income Sponsor Fund, and which  
20 shall be available without fiscal year limitation and be ad-  
21 ministered by the Secretary as a revolving fund for carrying  
22 out the purposes of this subsection. Sums received in repay-  
23 ment of loans made under this subsection shall be deposited  
24 in such fund.



## 1 NATIONAL HOMEOWNERSHIP FOUNDATION

2 SEC. 107. (a) (1) There is hereby created a body cor-  
3 porate to be known as the "National Homeownership Foun-  
4 dation" (hereinafter referred to as the "Foundation") to  
5 carry out a continuing program of encouraging private and  
6 public organizations at the national, community, and neigh-  
7 borhood levels to provide increased homeownership and  
8 housing opportunities in urban and rural areas for lower  
9 income families through such means as—

10 (A) encouraging the investment in, and sponsoring  
11 of, housing for lower income families;

12 (B) encouraging the establishment of programs of  
13 assistance and counseling to lower income families to  
14 enable them better to achieve and afford adequate  
15 housing;

16 (C) providing a broad range of technical assistance  
17 through publications and advisory services to public and  
18 private organizations which are carrying out, or are  
19 desirous of carrying out, programs to expand homeown-  
20 ership and housing opportunities for lower income fam-  
21 ilies; and

22 (D) providing grants and loans to public and pri-  
23 vate organizations carrying out homeownership and  
24 housing opportunity programs for lower income families  
25 to help cover some of the expenses of such programs.

1       (2) The Foundation shall be deemed to be a corpora-  
2   tion without members organized and established under the  
3   provisions of the District of Columbia Nonprofit Corpora-  
4   tion Act, with all the rights, powers, and responsibilities  
5   thereof except as limited by this section and any amend-  
6   ments thereto. This section shall constitute the articles of  
7   incorporation and charter of the Foundation, which shall  
8   not be an agency or instrumentality of the United States  
9   Government. The Congress expressly reserves the exclusive  
10   right to alter or amend this charter. The Foundation shall  
11   have succession until dissolved by Act of Congress. The  
12   Foundation shall maintain its principal office in the District  
13   of Columbia.

14       (3) No part of the net earnings of the Foundation  
15   shall inure to the benefit of any private person, and no sub-  
16   stantial part of its activities shall be devoted to attempting  
17   to influence legislation. The Foundation shall not participate  
18   or intervene in any political campaign on behalf of any  
19   candidate for public office. The Foundation shall be oper-  
20   ated and administered at all times as a charitable and edu-  
21   cational foundation.

22       (4) No employee or officer of the Foundation shall  
23   receive compensation in excess of that received by or here-  
24   after prescribed by law for heads of executive departments.

25       (5) The Foundation shall make maximum use of exist-



1 ing public and private agencies and programs, and in carry-  
2 ing out its functions the Foundation is authorized to con-  
3 tract with individuals, private corporations, organizations,  
4 and associations, and with agencies of the Federal, State, and  
5 local governments.

6 (6) The Foundation is authorized to receive donations  
7 and grants from individuals and from public and private  
8 organizations, foundations, and agencies.

9 (7) The Foundation may use only donated funds, or  
10 funds derived from payment of interest on loans made by it,  
11 for the principal and interest payments on any borrowings.

12 (b) (1) The Foundation shall have a Board of Direc-  
13 tors consisting of eighteen members, fifteen of whom shall  
14 be appointed by the President of the United States, with  
15 the advice and consent of the Senate. The other three mem-  
16 bers shall be, ex officio, the Secretary of Housing and Urban  
17 Development, the Secretary of Agriculture, and the Director  
18 of the Office of Economic Opportunity. The President shall  
19 appoint one of the fifteen appointed members to serve as  
20 Chairman of the Board during his term of office as a member.

21 (2) Within thirty days after the date of enactment of  
22 this Act, the President shall appoint the fifteen appointed  
23 members of the Board. Not more than five of such members  
24 shall, at the time of their appointment, be serving full time  
25 as officers or employees of the Federal Government, or as

1 officers or employees of any State or local government.  
2 Each appointed member of the Board shall hold office for  
3 a term of three years, except that (A) any member ap-  
4 pointed to fill a vacancy prior to the expiration of the term  
5 for which his predecessor was appointed shall be appointed  
6 for the remainder of such term, and (B) the terms of the  
7 members first taking office shall expire, as designated by  
8 the President at the time of appointment, five at the end of  
9 the first year, five at the end of the second year, and five  
10 at the end of the third year after the date of appointment.  
11 Members of the Board, however appointed, shall be eligible  
12 for reappointment, but at no time shall there be more than  
13 five members of the Board who at the time of their appoint-  
14 ment or reappointment were full-time officers or employees  
15 of the Federal Government or of any State or local govern-  
16 ment.

17 (3) Appointed members of the Board who are not  
18 employees of the Federal Government, while attending  
19 meetings or conferences of the Board or otherwise serving  
20 on business of the Board, shall be entitled to receive com-  
21 pensation at rates fixed by the President, but not exceeding  
22 \$100 per day, including travel time, and while so serving  
23 away from their homes or regular places of business they  
24 may be allowed travel expenses, including per diem in lieu  
25 of subsistence, as authorized by section 5703 of title 5,



1 United States Code, for persons in the Government service  
2 employed intermittently.

3 (4) The Board shall appoint an Executive Director  
4 of the Foundation. The Executive Director shall be the chief  
5 executive officer of the Foundation and shall serve at the  
6 pleasure of the Board, and all other executive officers and  
7 employees of the Board shall be responsible to him. The  
8 Board shall also cause to be appointed a secretary, a treas-  
9 urer, and such other officers as may be necessary to conduct  
10 properly the business of the Foundation, and shall provide  
11 for filling vacancies in such offices.

12 (5) The Board shall adopt bylaws for the Foundation  
13 which shall be made available for public inspection upon  
14 request.

15 (c) (1) The Foundation shall assist public and private  
16 organizations, at their request, in initiating, developing,  
17 and conducting programs to expand homeownership and  
18 housing opportunities for lower income families. To provide  
19 such assistance and to carry out the purposes of this section,  
20 the Foundation is authorized to—

21 (A) carry out a continuing program of encourag-  
22 ing private and public organizations at the national,  
23 community, and neighborhood levels in the establish-  
24 ment of such programs;

25 (B) assist in the formation of organizations the

1 purpose of which is the development and carrying out  
2 of such programs, including the establishment of local  
3 development funds for financing housing for lower in-  
4 come families through the pooling of moneys from  
5 private sources;

6 (C) identify and arrange for the technical and  
7 managerial assistance and personnel needed for the suc-  
8 cessful operation of such programs by public and private  
9 organizations;

10 (D) assist public and private organizations in ob-  
11 taining the mortgage financing, insurance, and other  
12 requirements or aids necessary for conducting programs  
13 of housing construction, rehabilitation, or improvement  
14 for lower income families;

15 (E) arrange for, or provide on a limited basis,  
16 training for persons in the skills needed in administering  
17 programs of homeownership and housing opportunity  
18 for lower income families;

19 (F) encourage research and innovation, and collect  
20 and make available such information as may be desirable  
21 to further the purposes of this section, including but not  
22 limited to such activities as the sponsoring of seminars,  
23 conferences, and meetings, and the establishment of a  
24 continuing information program to acquaint lower in-  
25 come families with the means they can use to improve



1 the quality of their housing and the homeownership and  
2 housing opportunities available to them;

3 (G) assist private and public organizations in estab-  
4 lishing, in connection with their homeownership and  
5 housing opportunity programs for lower income families,  
6 counseling and similar activities designed to advise lower  
7 income families of the means available to better them-  
8 selves economically through job training and manpower  
9 development programs; and

10 (H) perform other similar services in order to fur-  
11 ther the purposes of this section.

12 (2) The Foundation may, if it deems it appropriate,  
13 charge a reasonable fee for any assistance or services pro-  
14 vided under this subsection.

15 (d) (1) In order to assist public and private organiza-  
16 tions which are carrying out homeownership and housing  
17 opportunity programs for lower income families to fill unmet  
18 needs, initiate exceptional programs, and experiment with  
19 new approaches and programs, the Foundation is author-  
20 ized, subject to such terms and conditions as it may prescribe,  
21 to make grants and loans to such organizations to help defray  
22 the following expenses:

23 (A) organizational and administrative expenses in-  
24 curred in commencing the operation of a program, or in  
25 expanding an existing program, to the extent that the

activities are related to providing homeownership and housing opportunities for lower income families;

(B) necessary preconstruction costs incurred for architectural assistance, land options, application fees, and similar items; and

(C) the cost of carrying out programs providing counseling or similar services to lower income families for whom housing is being provided, in order to enable those families better to achieve and afford adequate housing, in such matters as home management, budget management, and home maintenance.

(2) In order to be eligible for a grant or loan under this subsection, the organization seeking such assistance shall demonstrate to the satisfaction of the Foundation that the funds requested are not otherwise available from Federal sources: *Provided*, That a grant or loan under this subsection may be provided to help cover that portion of the cost of an eligible activity not covered by Federal funds.

(3) The Foundation shall encourage cooperation between public and private organizations carrying out programs of homeownership and housing opportunity for lower income families and the neighborhoods and communities affected by such programs. To help assure such cooperation and in order to coordinate, to the maximum extent feasible, any construction or rehabilitation activities with the develop-



1 ment goals of the neighborhood or community affected, no  
2 application for a loan or grant under this subsection shall be  
3 considered unless such application has been submitted to the  
4 governing body of the community affected, or to such other  
5 entity of local government as may be designated by the gov-  
6 erning body, for such recommendations as the local govern-  
7 ing body or its designee may desire to make. Any recom-  
8 mendations so made shall be given careful consideration by  
9 the Foundation before taking final action on any such appli-  
10 cation. If, upon the expiration of thirty days after any such  
11 application has been submitted to such governing body or its  
12 designee, such body or designee fails to provide such recom-  
13 mendations, the application may be considered without the  
14 benefit of such recommendations.

15 (e) The Foundation shall coordinate its activities and  
16 consult with the Department of Housing and Urban De-  
17 velopment and other Federal departments and agencies en-  
18 gaged in providing homeownership and housing opportu-  
19 nities for lower income families.

20 (f) (1) Not later than one hundred and twenty days  
21 after the close of each fiscal year, the Foundation shall pre-  
22 pare and submit to the President and to the Congress a full  
23 report of its activities during such year. Such report shall  
24 include an account of the Foundation's experiences with the  
25 efforts of private and public organizations to expand home-

1 ownership and housing opportunities for lower income fam-  
2 ilies, together with such recommendations as it deems  
3 appropriate.

4 (2) Whenever in its judgment the general unavailability  
5 of mortgage funds is sufficiently serious to deter the Founda-  
6 tion from carrying out its objective of expanding homeown-  
7 ership and housing opportunities for lower income families,  
8 the Foundation shall, in its annual report or in a separate  
9 report to the President and the Congress, state its findings  
10 and make such recommendations for alternate means of  
11 financing housing for such families as it deems appropriate.

12 (g) (1) The financial transactions of the Foundation  
13 shall be audited by the General Accounting Office in accord-  
14 ance with the principles and procedures applicable to com-  
15 mercial corporate transactions and under such rules and regu-  
16 lations as may be prescribed by the Comptroller General  
17 of the United States. The representatives of the General  
18 Accounting Office shall have access to all books, accounts,  
19 financial records, reports, files, and all other papers, things,  
20 or property belonging to or in use by the Foundation and  
21 necessary to facilitate the audit, and they shall be afforded  
22 full facilities for verifying transactions with the balances or  
23 securities held by depositories, fiscal agents, and custodians.  
24 The audit shall cover the fiscal year corresponding to that  
25 of the United States Government.



1       (2) A report of each such audit shall be made by the  
2 Comptroller General to the Congress not later than Janu-  
3 ary 15 following the close of the fiscal year for which the  
4 audit was made. The report shall set forth the scope of the  
5 audit and shall include a statement of assets and liabilities,  
6 capital, and surplus or deficit; a statement of sources and  
7 application of funds; and such comments and information as  
8 may be deemed necessary to keep the Congress informed of  
9 the operations and financial condition of the Foundation,  
10 together with such recommendations with respect thereto as  
11 the Comptroller General may deem advisable. The report  
12 shall also show specifically any program, expenditure, or  
13 other financial transaction or undertaking, observed in the  
14 course of the audit, which, in the opinion of the Comptroller  
15 General, has been carried on or made without authority of  
16 law. A copy of each report shall be furnished to the Presi-  
17 dent and to the Foundation at the time submitted to the  
18 Congress.

19       (h) Funds of the Foundation shall be deposited, to  
20 the extent practicable, in accounts with financial institu-  
21 tions which are actively engaged in making loans or are  
22 otherwise carrying on activities in furtherance of home-  
23 ownership and housing opportunities for lower income  
24 families.

1 (i) There is authorized to be appropriated to the Foun-  
2 dation not to exceed \$10,000,000 to carry out the purposes  
3 of this section. Appropriations made hereunder shall remain  
4 available until expended.

5 NEW TECHNOLOGIES IN THE DEVELOPMENT OF HOUSING  
6 FOR LOWER INCOME FAMILIES

7 SEC. 108. (a) In order to encourage the use of new  
8 housing technologies in providing decent, safe, and sanitary  
9 housing for lower income families; to encourage large-scale  
10 experimentation in the use of such technologies; to provide  
11 a basis for comparison of such technologies with existing  
12 housing technologies in providing such housing; and to evalu-  
13 ate the effect of local housing codes and zoning regulations  
14 on the large-scale use of new housing technologies in the  
15 provision of such housing, the Secretary of Housing and  
16 Urban Development (hereinafter referred to as the "Sec-  
17 retary") shall institute a program under which qualified  
18 organizations, public and private, will submit plans for  
19 the development of housing for lower income families,  
20 using new and advanced technologies, on Federal land  
21 which has been made available by the Secretary for the  
22 purposes of this section, or on other land where (1) local  
23 building regulations permit the construction of experimental



1 housing, or (2) State or local law permits variances from  
2 building regulations in the construction of experimental hous-  
3 ing for the purpose of testing and developing new building  
4 technologies.

5 (b) The Secretary shall approve not more than five  
6 plans utilizing new housing technologies which are submitted  
7 to him pursuant to the program referred to in subsection (a)  
8 and which he determines are most promising in furtherance  
9 of the purposes of this section. In making such determination  
10 the Secretary shall consider—

11 (1) the potential of the technology employed for  
12 producing housing for lower income families on a large  
13 scale at a moderate cost;

14 (2) the extent to which the plan envisages environ-  
15 mental quality;

16 (3) the possibility of mass production of the tech-  
17 nology; and

18 (4) the financial soundness of the organization sub-  
19 mitting the plan, and the ability of such organization,  
20 alone or in combination with other organizations, to pro-  
21 duce at least one thousand dwelling units a year utilizing  
22 the technology proposed.

23 (c) In approving projects for mortgage insurance under  
24 section 233 (a) (2) of the National Housing Act (as added  
25 by subsection (f) of this section), the Secretary shall seek

1 to achieve the construction of at least one thousand dwelling  
2 units a year over a five-year period for each of the various  
3 types of technologies proposed in approved plans under sub-  
4 section (b). The Secretary shall evaluate each project with  
5 respect to which assistance is extended pursuant to this sec-  
6 tion with a view to determining (1) the detailed cost break-  
7 down per dwelling unit, (2) the environmental quality  
8 achieved in each such unit, and (3) the effect which local  
9 housing codes and zoning regulations have, or would have if  
10 applicable, on the cost per dwelling unit.

11 (d) Notwithstanding the provisions of the Federal Prop-  
12 erty and Administrative Services Act of 1949, any land  
13 which is excess property within the meaning of such Act  
14 and which is determined by the Secretary to be suitable in  
15 furtherance of the purposes of this section may be trans-  
16 ferred to the Secretary upon his request.

17 (e) The Secretary shall, at the earliest practicable date,  
18 report his findings with respect to projects assisted pursuant  
19 to this section (including evaluations of each such project in  
20 accordance with subsection (c) ), together with such recom-  
21 mendations for additional legislation as he determines to be  
22 necessary or desirable to expand the available supply of  
23 decent, safe, and sanitary housing for lower income families  
24 through the use of technologies the efficacy of which has been  
25 demonstrated under this section.



1       (f) (1) Section 233 (a) of the National Housing Act is  
2 amended—

3           (A) by inserting “(1)” after “(a)”,

4           (B) by redesignating clauses (1), (2), and (3)  
5 as clauses (A), (B), and (C), respectively, and

6           (C) by adding at the end thereof the following new  
7 paragraph:

8       “(2) The Secretary is further authorized to insure and  
9 to make commitments to insure, under this section, mortgages  
10 (including advances on mortgages during construction)  
11 secured by properties in projects to be carried out in accord-  
12 ance with plans approved by the Secretary under section 108  
13 of the Housing and Urban Development Act of 1968.”.

14       (2) Section 233 (c) of such Act is amended by inserting  
15 at the end thereof the following new sentence: “Any author-  
16 ity which the Secretary may exercise in connection with a  
17 mortgage, or property covered by a mortgage, insured under  
18 any other section of this title (including payments to reduce  
19 rentals for, or to facilitate homeownership by, lower income  
20 families) may be exercised in connection with a mortgage, or  
21 property covered by a mortgage, meeting the requirements  
22 of such other section (except as specified in subsection (b)),  
23 which is insured under this section to the same extent and in  
24 the same manner as if the mortgage insured under this sec-  
25 tion was insured under such other section.”

## INSURANCE PROTECTION FOR HOMEOWNERS

SEC. 109. (a) The Secretary of Housing and Urban Development is authorized, in cooperation with the private insurance industry, to develop a plan for the establishment at the earliest practicable date of an insurance program to help homeowners in meeting mortgage payments in times of personal economic adversity. Such insurance program shall be designed to protect mortgagors against foreclosure due to curtailment of income resulting from factors beyond their effective control, including such factors as death, disability, illness, and unemployment. Such insurance program shall also be designed to be actuarially sound through the use of premiums, fees, extended or increased payment schedules, or other similar methods, in conjunction with such Federal participation as may be necessary.

(b) Within six months following the date of enactment of this Act, the Secretary shall report to the Congress on his actions under this section, and shall recommend to the Congress such legislation as he deems appropriate to authorize him to enter into agreements with any insurance company, or any corporation or joint enterprise formed to provide home mortgage insurance protection, for the purpose of reinsuring insurance reserve funds, subsidizing premium payments on behalf of lower income mortgagors, or otherwise making possible the insurance protection of homeowners in accordance



1 with subsection (a). In preparing such recommendations the  
2 Secretary shall consult with other agencies or instrumentali-  
3 ties of the United States which insure or guarantee home  
4 mortgages in order that such legislation as may be recom-  
5 mended affords equal benefits to mortgagors participating in  
6 their programs.

7 TITLE II—RENTAL HOUSING FOR LOW AND  
8 MODERATE INCOME FAMILIES

9 PART A—PRIVATE HOUSING

10 RENTAL AND COOPERATIVE HOUSING FOR LOW AND  
11 MODERATE INCOME FAMILIES

12 SEC. 201. (a) Title II of the National Housing Act is  
13 amended by adding after section 235 (as added by section  
14 101 of this Act) the following new section:

15 “RENTAL AND COOPERATIVE HOUSING FOR LOW AND  
16 MODERATE INCOME FAMILIES

17 “SEC. 236. (a) For the purpose of reducing rentals for  
18 low and moderate income families, the Secretary is author-  
19 ized to make, and to contract to make, periodic interest  
20 reduction payments on behalf of the owner of a rental housing  
21 project designed for occupancy by low and moderate income  
22 families, which shall be accomplished through payments to  
23 mortgagees holding mortgages meeting the special require-  
24 ments specified in this section.

25 “(b) Interest reduction payments with respect to a

1 project shall only be made during such time as the project  
2 is operated as a rental housing project and is subject to a  
3 mortgage which meets the requirements of, and is insured  
4 under, subsection (j) of this section: *Provided*, That interest  
5 reduction payments may be made with respect to a rental  
6 or cooperative housing project owned by a private nonprofit  
7 corporation or other private nonprofit entity, a limited divi-  
8 dend corporation or other limited dividend entity, or a co-  
9 operative housing corporation, which is financed under a State  
10 or local program providing assistance through loans, loan in-  
11 surance, or tax abatements, and which, prior to completion of  
12 construction or rehabilitation, is approved for receiving the  
13 benefits of this section.

14 “(c) The interest reduction payments to a mortgagee  
15 by the Secretary on behalf of a project owner shall be in an  
16 amount not exceeding the difference between the monthly  
17 payment for principal, interest, and mortgage insurance  
18 premium which the project owner as a mortgagor is obligated  
19 to pay under the mortgage and the monthly payment for  
20 principal and interest such project owner would be obligated  
21 to pay if the mortgage were to bear interest at the rate of  
22 1 per centum per annum.

23 “(d) The Secretary may include in the payment to the  
24 mortgagee such amount, in addition to the amount computed



1 under subsection (c), as he deems appropriate to reimburse  
2 the mortgagee for its expenses in handling the mortgage.

3 “(e) As a condition for receiving the benefits of in-  
4 terest reduction payments, the project owner shall operate  
5 the project in accordance with such requirements with re-  
6 spect to tenant eligibility and rents as the Secretary may  
7 prescribe. Procedures shall be adopted by the Secretary  
8 for review of tenant incomes at intervals of two years (or at  
9 shorter intervals where the Secretary deems it desirable).

10 “(f) For each dwelling unit there shall be established  
11 with the approval of the Secretary (1) a basic rental charge  
12 determined on the basis of operating the project with pay-  
13 ments of principal and interest due under a mortgage bear-  
14 ing interest at the rate of 1 per centum per annum; and (2)  
15 a fair market rental charge determined on the basis of op-  
16 erating the project with payments of principal, interest, and  
17 mortgage insurance premium which the mortgagor is obli-  
18 gated to pay under the mortgage covering the project. The  
19 rental for each dwelling unit shall be at the basic rental  
20 charge or such greater amount, not exceeding the fair market  
21 rental charge, as represents 20 per centum of the tenant’s  
22 income.

23 “(g) The project owner shall, as required by the Sec-  
24 retary, accumulate, safeguard, and periodically pay to the  
25 Secretary all rental charges collected in excess of the basic

1 rental charges. Such excess charges shall be deposited by  
2 the Secretary in a fund which may be used by him as a re-  
3 volving fund for the purpose of making interest reduction  
4 payments with respect to any rental housing project cov-  
5 ered by a mortgage insured under this section, subject to  
6 limits approved in appropriation Acts pursuant to subsection  
7 (i). Moneys in such fund not needed for current operations  
8 may be invested in bonds or other obligations of the United  
9 States or in bonds or other obligations guaranteed as to prin-  
10 cipal and interest by the United States.

11 “(h) In addition to establishing the requirements speci-  
12 fied in subsection (e), the Secretary is authorized to make  
13 such rules and regulations, to enter into such agreements,  
14 and to adopt such procedures as he may deem necessary or  
15 desirable to carry out the provisions of this section.

16 “(i) There are authorized to be appropriated such sums  
17 as may be necessary to carry out the provisions of this sec-  
18 tion, including such sums as may be necessary to make  
19 interest reduction payments under contracts entered into  
20 under this section. The aggregate amount of contracts to  
21 make such payments shall not exceed amounts approved in  
22 appropriation Acts, and payments pursuant to such contracts  
23 shall not exceed \$75,000,000 per annum prior to July 1,  
24 1969, which maximum dollar amount shall be increased by



1 \$100,000,000 on July 1, 1969, and by \$125,000,000 on  
2 July 1, 1970.

3 “(j) (1) The Secretary is authorized, upon application  
4 by the mortgagee, to insure a mortgage (including advances  
5 on such mortgage during construction) which meets the re-  
6 quirements of this subsection. Commitments for the insur-  
7 ance of such mortgages may be issued by the Secretary prior  
8 to the date of their execution or disbursement thereon, upon  
9 such terms and conditions as he may prescribe.

10 “(2) As used in this subsection—

11 “(A) the terms ‘family’ and ‘families’ shall have  
12 the same meaning as in section 221;

13 “(B) the term ‘elderly or handicapped families’  
14 shall have the same meaning as in section 202 of the  
15 Housing Act of 1959; and

16 “(C) the terms ‘mortgage’, ‘mortgagee’, and ‘mort-  
17 gator’ shall have the same meaning as in section 201.

18 “(3) To be eligible for insurance under this subsection,  
19 a mortgage shall meet the requirements specified in subsec-  
20 tions (d) (1) and (d) (3) of section 221, except as such  
21 requirements are modified by this subsection. In the case of  
22 a project financed with a mortgage insured under this sub-  
23 section which involves a mortgagor other than a cooperative  
24 or a private nonprofit corporation or association and which  
25 is sold to a cooperative or a nonprofit corporation or associa-

1 tion, the Secretary is further authorized to insure under this  
2 subsection a mortgage given by such purchaser in an amount  
3 not exceeding the appraised value of the property at the time  
4 of purchase, which value shall be based upon a mortgage  
5 amount on which the debt service can be met from the  
6 income of the property when operated on a nonprofit basis,  
7 after payment of all operating expenses, taxes, and required  
8 reserves.

9 “(4) A mortgage to be insured under this subsection  
10 shall—

11 “(A) be executed by a private mortgagor eligible  
12 under subsection (d) (3) or (e) of section 221;

13 “(B) bear interest (exclusive of premium charges  
14 for insurance and service charges, if any) at not to ex-  
15 ceed such per centum per annum (not in excess of 6 per  
16 centum), on the amount of the principal obligation out-  
17 standing at any time, as the Secretary finds necessary to  
18 meet the mortgage market; and

19 “(C) provide for complete amortization by periodic  
20 payments within such term as the Secretary may  
21 prescribe.

22 “(5) The property or project shall—

23 “(A) comply with such standards and conditions as  
24 the Secretary may prescribe to establish the acceptability  
25 of the property for mortgage insurance and may include



1       such nondwelling facilities as the Secretary deems ade-  
2       quate and appropriate to serve the occupants and the  
3       surrounding neighborhood: *Provided*, That the project  
4       shall be predominantly residential and any nondwelling  
5       facility included in the mortgage shall be found by the  
6       Secretary to contribute to the economic feasibility of the  
7       project, and the Secretary shall give due consideration  
8       to the possible effect of the project on other business  
9       enterprises in the community: *Provided further*, That,  
10      in the case of a project designed primarily for occupancy  
11      by elderly or handicapped families, the project may in-  
12      clude related facilities for use by elderly or handicapped  
13      families, including cafeterias or dining halls, community  
14      rooms, workshops, infirmaries or other inpatient or out-  
15      patient health facilities, and other essential service  
16      facilities;

17           “(B) include five or more dwelling units; and

18           “(C) be designed primarily for use as a rental proj-  
19      ect to be occupied by low and moderate income families  
20      or by elderly or handicapped families: *Provided*, That  
21      low and moderate income persons who are less than  
22      sixty-two years of age shall be eligible for occupancy in  
23      such a project, but not more than 10 per centum of the  
24      dwelling units in any such project shall be available for  
25      occupancy by such persons.

1       “(6) With the approval of the Secretary, the mortgagor  
2 may sell the individual dwelling units to low and moderate  
3 income or elderly or handicapped purchasers. The Secretary  
4 may consent to the release of the mortgagor from his lia-  
5 bility under the mortgage and the credit instrument secured  
6 thereby, or consent to the release of parts of the mortgaged  
7 property from the lien of the mortgage, upon such terms and  
8 conditions as he may prescribe, and the mortgage may pro-  
9 vide for such release.

10       “(k) As used in this section the term ‘tenant’ includes  
11 a member of a cooperative; the term ‘rental housing proj-  
12 ect’ includes a cooperative housing project; and the terms  
13 ‘rental’ and ‘rental charge’ mean, with respect to members  
14 of a cooperative, the charges under the occupancy agree-  
15 ments between such members and the cooperative.

16       “(l) The Secretary shall from time to time allocate  
17 and transfer to the Secretary of Agriculture, for use (in  
18 accordance with the terms and conditions of this section)  
19 in rural areas and small towns, a reasonable portion of the  
20 total authority to contract to make periodic interest re-  
21 duction payments as approved in appropriation Acts under  
22 subsection (i).”

23       (b) (1) Section 212 (a) of such Act is amended by  
24 striking out “or 232” in the first sentence of the second  
25 paragraph and inserting in lieu thereof “, 232, or 236”.



1       (2) Section 227 (a) of such Act is amended by striking  
2 out “or (viii) under section 234 (d)” and inserting in lieu  
3 thereof “(viii) under section 234 (d), or (ix) under section  
4 236”.

5       (3) Section 227 (c) of such Act is amended by striking  
6 out “or section 233 (b) (2)” each place it appears and in-  
7 serting in lieu thereof “section 233, or section 236”.

8       (c) The Secretary of Housing and Urban Develop-  
9 ment is authorized, upon such terms and conditions as he may  
10 prescribe, to transfer to section 236 (j) of the National  
11 Housing Act the insurance of a mortgage which has not  
12 been finally endorsed for insurance under section 221 (d) (3)  
13 of such Act and which has been approved for the below-  
14 market interest rate prescribed in the proviso of section  
15 221 (d) (5) of such Act.

16       (d) The Secretary of Housing and Urban Develop-  
17 ment is authorized, upon such terms and conditions as he  
18 may prescribe, to insure under section 236 (j) of the Na-  
19 tional Housing Act a mortgage meeting the requirements of  
20 such section which is given to refinance a mortgage loan  
21 made under section 202 of the Housing Act of 1959: *Pro-*  
22 *vided*, That the application for such insurance is filed with  
23 the Secretary on or before the date of project completion,  
24 or within such reasonable time thereafter as the Secretary  
25 may permit.

1 (e) (1) Section 101 (d) of the Housing and Urban De-  
2 velopment Act of 1965 is amended by striking out “one-  
3 fourth” and inserting in lieu thereof “one-fifth”.

4 (2) Section 101 (g) of such Act is amended by striking  
5 out “or 231 (c) (3)” and inserting in lieu thereof “, 231  
6 (c) (3), or 236”.

7 (3) Section 101 (j) (1) of such Act is amended—

8 (A) by striking out “and” at the end of subpara-  
9 graph (B) ;

10 (B) by striking out the period at the end of sub-  
11 paragraph (C) and inserting in lieu thereof “; and”;  
12 and

13 (C) by inserting after subparagraph (C) a new  
14 subparagraph as follows:

15 “(D) a private nonprofit corporation or other  
16 private nonprofit legal entity, a limited dividend  
17 corporation or other limited divided legal entity, or a  
18 cooperative housing corporation, which is a mortgagor  
19 under a mortgage insured under section 236 (j) of the  
20 National Housing Act which has been approved for  
21 receiving the benefits of this section: *Provided*, That pay-  
22 ments shall not be made with respect to more than 20  
23 per centum of the dwelling units in any property so  
24 financed.”



1 (f) Section 207 of the Appalachian Regional Develop-  
2 ment Act of 1965 is amended—

3 (1) by inserting in the heading “AND SECTION  
4 236” immediately after “SECTION 221”;

5 (2) by inserting “or section 236” after “section  
6 221” each place it appears;

7 (3) by inserting “or ‘section 236’ ” after “‘section  
8 221’ ” in subsection (a) ; and

9 (4) by inserting “, Government National Mort-  
10 gage Association,” immediately after “Federal Housing  
11 Administration” in subsection (c) .

12 (g) The first sentence of section 305 (i) of the National  
13 Housing Act is amended—

14 (1) by striking out “or (3)” and inserting in lieu  
15 thereof “(3)”, and

16 (2) by inserting after “221 (e)” the following:  
17 “, or (4) a mortgage insured under section 236”.

#### 18 RENT SUPPLEMENT PROGRAM

19 SEC. 202. (a) Section 101 (a) of the Housing and  
20 Urban Development Act of 1965 is amended by striking  
21 out everything after the word “exceed” the second time the  
22 word appears in the third sentence and inserting in lieu  
23 thereof the following: “\$150,000,000 per annum prior to  
24 July 1, 1969, which maximum dollar amount shall be in-

1    creased by \$40,000,000 on July 1, 1969, and by \$100,-  
2    000,000 on July 1, 1970.”

3            (b) Section 101 (b) of such Act is amended by insert-  
4    ing after the first sentence the following: “Such term also  
5    includes a private nonprofit corporation or other private non-  
6    profit legal entity, a limited dividend corporation or other  
7    limited dividend legal entity, or a cooperative housing corpo-  
8    ration, which is the owner of a rental or cooperative housing  
9    project financed under a State or local program providing  
10   assistance through loans, loan insurance, or tax abatement  
11   and which prior to completion of construction or rehabilita-  
12   tion is approved for receiving the benefits of this section.”

13            PART B—LOW-RENT PUBLIC HOUSING

14    INCREASED LOW-RENT PUBLIC HOUSING AUTHORIZATION

15            SEC. 203. (a) Section 10 (e) of the United States  
16   Housing Act of 1937 is amended by striking out  
17   “\$366,250,000 per annum, which limit shall be increased  
18   by \$47,000,000 on the date of enactment of the Housing  
19   and Urban Development Act of 1965, and by further  
20   amounts of \$47,000,000 on July 1 in each of the years  
21   1966, 1967, and 1968, respectively,” in the first sentence  
22   and inserting in lieu thereof the following: “\$554,250,000  
23   per annum, which limit shall be increased by \$100,000,000



1 on the date of enactment of the Housing and Urban De-  
 2 velopment Act of 1968 and by further amounts of \$150,-  
 3 000,000 on July 1 in each of the years 1969 and 1970,”.

4 (b) Section 20 of such Act is amended—

5 (1) by striking out “not to exceed \$1,500,000,000”  
 6 in the first sentence and inserting in lieu thereof “which  
 7 shall not, unless authorized by the President, exceed  
 8 \$1,500,000,000”; and

9 (2) by inserting after the first sentence the follow-  
 10 ing: “For the purpose of determining obligations incurred  
 11 to make loans pursuant to this Act against any limita-  
 12 tion otherwise applicable with respect to such loans, the  
 13 Secretary shall estimate the maximum amount to be  
 14 loaned at any one time pursuant to loan agreements then  
 15 outstanding with public housing agencies.”

16 UPGRADING MANAGEMENT AND SERVICES IN PUBLIC  
 17 HOUSING PROJECTS

18 SEC. 204. Section 15 of the United States Housing Act  
 19 of 1937 is amended by adding at the end thereof the fol-  
 20 lowing new paragraph:

21 “(10) The Secretary is authorized to enter into con-  
 22 tracts to make grants to public housing agencies to assist,  
 23 where necessary, in financing tenant services for families

1 living in low-rent housing projects. In making such con-  
2 tracts and grants, the Secretary shall give preference to  
3 programs providing for the maximum feasible participation  
4 of the tenants in the development and operation of such  
5 tenant services. For purposes of this paragraph the term  
6 'tenant services' includes (without being limited to) the fol-  
7 lowing services and activities for families living in low-rent  
8 housing projects: counseling on household management,  
9 housekeeping, budgeting, money management, child care,  
10 and similar matters; advice as to resources for job training  
11 and placement, education, welfare, health, and other com-  
12 munity services; services which are directly related to meet-  
13 ing tenant needs and providing a wholesome living environ-  
14 ment, including intertenant activities; and referral to ap-  
15 propriate agencies when necessary for the provision of such  
16 services. To the maximum extent available and appropriate,  
17 existing public and private agencies in the community shall  
18 be used for the provision of such services. There are author-  
19 ized to be appropriated for the purposes of this paragraph  
20 not to exceed \$20,000,000 for the fiscal year ending June  
21 30, 1969, and not to exceed \$40,000,000 for the fiscal year  
22 ending June 30, 1970."



## 1 PURCHASE OF UNITS BY TENANTS

2 SEC. 205. Section 15 (9) of the United States Housing  
3 Act of 1937 is amended by striking out "which is suitable  
4 by reason of its detached or semidetached construction" and  
5 inserting in lieu thereof ", if the property to be acquired is  
6 sufficiently separable from other property retained by the  
7 public housing agency to make it suitable".

## 8 PUBLIC HOUSING IN INDIAN AREAS

9 SEC. 206. (a) Section 1 of the United States Housing  
10 Act of 1937 is amended by striking out "urban and rural  
11 nonfarm" in the first sentence and inserting in lieu thereof  
12 "urban, rural nonfarm, and Indian".

13 (b) Section 10 (a) of such Act is amended by inserting  
14 "or Indian" after "nonfarm" in the fourth proviso.

## 15 LIMITATION ON HIGH-RISE STRUCTURES IN LOW-RENT

## 16 PUBLIC HOUSING PROJECTS

17 SEC. 207. Section 15 of the United States Housing Act  
18 of 1937 is amended by adding at the end thereof (after the  
19 new paragraph added by section 204 of this Act) the fol-  
20 lowing new paragraph:

21 "(11) Except in the case of housing predominantly for  
22 the elderly, upon enactment of this paragraph, the Secretary  
23 shall not approve high-rise elevator projects for families with

1 children unless he makes a determination that there is no  
2 practical alternative.”

3 PROHIBITION AGAINST CERTAIN LIMITATIONS ON TYPES  
4 OR CATEGORIES OF LOW-RENT HOUSING IN PRIVATE  
5 ACCOMMODATIONS

6 SEC. 208. The first sentence of section 23 (d) of the  
7 United States Housing Act of 1937 is amended by inserting  
8 before the period at the end thereof the following: “(and no  
9 limitation not specifically provided for in this section shall  
10 be imposed by regulations of the Authority on the types or  
11 categories of structures or dwelling units, qualifying under  
12 subsection (a) (3) and approved under subsection (c),  
13 which may be so used in any community)”.

14 LIMITATION ON NUMBER OF UNITS OF LOW-RENT HOUSING  
15 IN PRIVATE ACCOMMODATIONS PER STRUCTURE

16 SEC. 209. The first sentence of section 23 (c) of the  
17 United States Housing Act of 1937 is amended by striking  
18 out “not exceeding 10 per centum of the units in any single  
19 structure except” and inserting in lieu thereof the following:  
20 “not exceeding, in the case of any single structure, the lesser  
21 of (i) ten units or 10 per centum of the units in the structure,  
22 whichever is greater, or (ii) 50 per centum of the units in  
23 the structure, with such lesser number being increased (if



1 it is not a whole number) to the next higher whole number;  
2 except”.

3 SALE TO TENANTS OF LOW-RENT HOUSING IN PRIVATE  
4 ACCOMMODATIONS

5 SEC. 210. (a) Section 23 (f) of the United States  
6 Housing Act of 1937 is amended by inserting “(1)” after  
7 “shall not apply to”, and by inserting before the period at  
8 the end thereof the following: “, or (2) housing purchased  
9 (or in the process of purchase) by the public housing  
10 agency for resale to tenants as provided in subsection (g)”.

11 (b) Section 23 of such Act is further amended by adding  
12 at the end thereof the following new subsection:

13 “(g) To the extent authorized in contracts entered into  
14 by the Authority with a public housing agency, such agency  
15 may purchase any structure containing one or more dwelling  
16 units leased to provide low-rent housing in private accom-  
17 modations under this section for the purpose of reselling the  
18 structure to the tenant or tenants of the structure or to a  
19 group of such tenants occupying units aggregating in value  
20 at least 80 per centum of the structure’s total value. Any  
21 such resale shall be made subject to such terms and condi-  
22 tions (including provision for deferment of the required  
23 downpayment and for elimination of or adjustments in the  
24 required interest payments during a temporary period) as

1 may be necessary to enable the tenants involved to make  
2 the purchase without undue financial hardship.”

3 ADDITIONAL SUBSIDY FOR LARGE FAMILIES AND FAMILIES  
4 OF UNUSUALLY LOW INCOME

5 SEC. 211. (a) Section 2 (2) of the United States  
6 Housing Act of 1937 is amended by inserting at the end  
7 thereof the following new sentences: “The term ‘large fam-  
8 ilies’ means families which include four or more minors.  
9 The term ‘families of unusually low income’ means families  
10 with incomes below the income level established by the  
11 public housing agency, as approved by the Authority, who  
12 could not be housed without the additional subsidy author-  
13 ized under section 10 (a).”

14 (b) The first proviso in section 10 (a) of such Act is  
15 amended—

16 (1) by inserting after “an elderly family,” the fol-  
17 lowing: “or a large family, or a family of unusually  
18 low income,”;

19 (2) by striking out “to lease the dwelling unit to  
20 an elderly or displaced family at a rental it could afford  
21 and”; and

22 (3) by striking out “. and, in the case of displaced  
23 families, if and to the extent that the average or esti-  
24 mated average rental for units so occupied by such



1 families was less than the rental which the Authority  
2 determines, on the basis of the average or estimated  
3 average project rentals, would have been established  
4 in leasing the units to families which were neither  
5 elderly nor similarly displaced”.

6 TITLE III—FEDERAL HOUSING ADMINISTRA-  
7 TION INSURANCE OPERATIONS

8 MORTGAGE INSURANCE PREMIUMS FOR SERVICEMEN AND  
9 THEIR WIDOWS

10 SEC. 301. Section 222 of the National Housing Act is  
11 amended—

12 (1) by striking out “Secretary of the Treasury”  
13 each place it appears and inserting in lieu thereof “Sec-  
14 retary of Transportation”; and

15 (2) by adding at the end thereof two new sub-  
16 sections as follows:

17 “(f) The Secretary is authorized to transfer to this sec-  
18 tion the insurance on any mortgage covering a single-family  
19 dwelling or a one-family unit in a condominium project in-  
20 sured under this Act, if the mortgage indebtedness thereof  
21 has been assumed by a serviceman who at the time of as-  
22 sumption is the owner of the property and either occupies the  
23 property or certifies that his failure to do so is the result of  
24 his military assignment, or, in the case of the United States  
25 Coast Guard, other assignment.

1       “(g) Where a serviceman dies while on active duty in  
2 the Armed Forces of the United States or in the United  
3 States Coast Guard, leaving a surviving widow as owner of  
4 the property, the period of ownership by the serviceman  
5 (within the meaning of subsection (c) of this section) shall  
6 extend for two years beyond the date of the serviceman’s  
7 death or until the date the widow disposes of the property,  
8 whichever date occurs first. The Secretary of Defense or the  
9 Secretary of Transportation, as the case may be, shall notify  
10 such widow promptly following the serviceman’s death of  
11 the additional costs to be borne by the mortgagor following  
12 termination of the two-year period.”

13       MODIFICATIONS IN TERMS OF INSURED MORTGAGES

14               COVERING MULTIFAMILY PROJECTS

15       SEC. 302. Title II of the National Housing Act is  
16 amended by adding after section 238 (as added by section  
17 104 of this Act) the following new section:

18       “MODIFICATIONS IN TERMS OF INSURED MORTGAGES

19               COVERING MULTIFAMILY PROJECTS

20       “SEC. 239. (a) The Secretary shall not consent to any  
21 request for an extension of the time for curing a default under  
22 any mortgage covering multifamily housing, as defined in the  
23 regulations of the Secretary, or for a modification of the terms  
24 of such mortgage, except in conformity with regulations pre-  
25 scribed by the Secretary in accordance with the provisions



1 of this section. Such regulations shall require, as a condition  
2 to the granting of any such request, that, during the period  
3 of such extension or modification, any part of the rents or  
4 other funds derived by the mortgagor from the property  
5 covered by the mortgage which is not required to meet  
6 actual and necessary expenses arising in connection with the  
7 operation of such property, including amortization charges  
8 under the mortgage, be held in trust by the mortgagor and  
9 distributed only with the consent of the Secretary; except  
10 that the Secretary may provide for the granting of consent  
11 to any request for an extension of the time for curing a  
12 default under any mortgage covering multifamily housing,  
13 or for a modification of the terms of such mortgage, without  
14 regard to the foregoing requirement, in any case or class of  
15 cases in which an exemption from such requirement does not  
16 (as determined by the Secretary) jeopardize the interests of  
17 the United States.

18 “(b) Whoever, as an owner of a property which is  
19 security for a mortgage described in subsection (a), or as  
20 a stockholder of a corporation owning such property, or as  
21 a beneficial owner under any business organization or trust  
22 owning such property, or as an officer, director, or agent of  
23 any such owner, (1) willfully uses or authorizes the use of  
24 any part of the rents or other funds derived from property  
25 covered by such mortgage in violation of a regulation pre-

1 scribed by the Secretary under subsection (a), or (2) if  
2 such mortgage is determined, as provided in subsection (a),  
3 to be exempt from the requirement of any such regulation  
4 or is not otherwise covered by such regulation, willfully and  
5 knowingly uses or authorizes the use, while such mortgage is  
6 in default, of any part of the rents or other funds derived from  
7 the property covered by such mortgage for any purpose other  
8 than to meet actual and necessary expenses arising in con-  
9 nection with such property (including amortization charges  
10 under the mortgage), shall be fined not more than \$5,000  
11 or imprisoned not more than three years, or both.”

#### 12 CONDOMINIUMS

13 SEC. 303. (a) Section 234 (c) of the National Housing  
14 Act is amended by striking out “rental housing, and (3)”  
15 in the first sentence and inserting in lieu thereof the fol-  
16 lowing: “rental housing: *Provided*, That a one-family  
17 unit in a multifamily project involving eleven or less units  
18 shall be eligible for insurance without having been covered  
19 by a project mortgage, and (3)”.

20 (b) Section 234 (c) of such Act is further amended by  
21 striking out “(iii) 75 per centum” in the third sentence  
22 and inserting in lieu thereof “(iii) 80 per centum”.

23 (c) Section 234 (f) of such Act is amended by strik-  
24 ing “five” and inserting in lieu thereof “four”.



1 INSURANCE OF LOANS FOR PURCHASE OF FEE SIMPLE

2 TITLE FROM LESSORS

3 SEC. 304. (a) Title II of the National Housing Act  
4 is amended by adding after section 239 (as added by sec-  
5 tion 302 of this Act) the following new section:

6 "PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

7 "SEC. 240. (a) The Secretary is authorized, upon such  
8 terms and conditions as he may prescribe, to make commit-  
9 ments to insure and to insure loans made by financial insti-  
10 tutions for the purpose of financing purchases by home-  
11 owners of the fee simple title to property on which their  
12 homes are located.

13 "(b) As used in this section—

14 "(1) the term 'financial institution' means a lender  
15 approved by the Secretary as eligible for insurance under  
16 section 2 or a mortgagee approved under section  
17 203 (b) (1) ; and

18 "(2) the term 'homeowner' means a lessee under a  
19 long-term ground lease.

20 "(c) To be eligible for insurance under this section, a  
21 loan shall—

22 "(1) relate to property on which there is located  
23 a dwelling designed principally for a one-, two-, three-,  
24 or four-family residence;

25 "(2) not exceed the cost of purchasing the fee

1        simple title, or \$10,000 per family unit, whichever is  
2        the lesser;

3            “(3) be limited to an amount which when added  
4        to any outstanding indebtedness related to the property  
5        (as determined by the Secretary) creates a total out-  
6        standing indebtedness which does not exceed the appli-  
7        cable mortgage limit prescribed in section 203 (b) ;

8            “(4) bear interest at not to exceed such per  
9        centum per annum (not to exceed 6 per centum), on  
10       the amount of the principal obligation outstanding at  
11       any time, as the Secretary finds necessary to meet mar-  
12       ket conditions, and such other charges (including service  
13       charges and appraisal, inspection, and other fees) as  
14       may be approved by the Secretary;

15           “(5) have a maturity satisfactory to the Secretary,  
16       but not to exceed twenty years from the beginning of  
17       amortization of the loan or three-quarters of the remain-  
18       ing economic life of the home, whichever is the lesser;  
19       and

20           “(6) comply with such other terms, conditions, and  
21       restrictions as the Secretary may prescribe.

22           “(d) The provisions of paragraphs (3), (5), (6), (7),  
23       (8), and (10) of section 220 (h) shall be applicable to loans  
24       insured under this section and, as applied to loans insured  
25       under this section, references in those paragraphs to ‘home



1 improvement loans' and 'this subsection' shall be construed  
2 to refer to loans under this section."

3 (b) Section 5 (c) of the Home Owners' Loan Act of  
4 1933 (12 U.S.C. 1464 (c) ) is amended by adding im-  
5 mediately before the last paragraph the following new  
6 paragraph:

7 "Notwithstanding any other provision of this subsec-  
8 tion, an association may invest in loans or obligations, or in-  
9 terests therein, as to which the association has the benefit of  
10 insurance under section 240 of the National Housing Act, or  
11 of a commitment or agreement therefor, and such invest-  
12 ments shall not be included in any percentage of assets or  
13 other percentage referred to in this subsection."

14 EXTENSION OF SECTION 221(d)(2) SALES HOUSING PROGRAM

15 FOR TWO-, THREE-, AND FOUR-FAMILY RESIDENCES TO

16 ALL LOW AND MODERATE INCOME FAMILIES

17 SEC. 305. Section 221 (d) (2) of the National Housing  
18 Act is amended by striking out "a displaced family" at the  
19 end of the first proviso and inserting in lieu thereof "the  
20 mortgagor".

21 REMOVAL OF DIVIDEND RESTRICTION FOR NONDWELLING

22 FACILITIES IN SECTION 221 PROJECTS

23 SEC. 306. Section 221 (f) of the National Housing Act  
24 is amended by striking out in the first sentence all that fol-  
25 lows the word "mortgage" in the proviso and inserting in  
26 lieu thereof ": *Provided further*, That, in the case of a mort-

1 gage which bears interest at the below-market interest rate  
 2 prescribed in the proviso of subsection (d) (5), the provi-  
 3 sions of section 220 (d) (3) (B) (iv) shall only apply if the  
 4 mortgagor waives the right to receive dividends on its equity  
 5 investment in the portion thereof devoted to commercial  
 6 facilities.”

7 SUPPLEMENTAL LOAN PROGRAM FOR PROJECTS FINANCED  
 8 WITH FEDERAL HOUSING ADMINISTRATION INSURED  
 9 MORTGAGES

10 SEC. 307. Title II of the National Housing Act is  
 11 amended by adding after section 240 (as added by section  
 12 304 of this Act) the following new section:

13 “SUPPLEMENTAL LOANS FOR MULTIFAMILY PROJECTS

14 “SEC. 241. (a) With respect to a multifamily project or  
 15 group practice facility covered by a mortgage insured under  
 16 any section or title of this Act, the Secretary is authorized,  
 17 upon such terms and conditions as he may prescribe, to make  
 18 commitments to insure, and to insure, supplemental loans  
 19 (including advances during construction or improvement)  
 20 made by financial institutions approved by the Secretary.  
 21 As used in this section, ‘supplemental loan’ means a loan, ad-  
 22 vance of credit, or purchase of an obligation representing a  
 23 loan or advance of credit made for the purpose of financing  
 24 improvements or additions to such project or facility: *Pro-*  
 25 *vided*, That a loan involving a nursing home covered by a



1 mortgage insured under section 232 or a loan involving a  
2 group practice facility covered by a mortgage insured under  
3 title XI may also be made for the purpose of financing equip-  
4 ment to be used in the operation of such nursing home or  
5 facility.

6 “(b) To be eligible for insurance under this section,  
7 a supplemental loan shall—

8 “(1) be limited to 90 per centum of the amount  
9 which the Secretary estimates will be the value of such  
10 improvements, additions, and equipment, except that  
11 such amount, when added to the outstanding balance of  
12 the mortgage covering the project or facility, shall not  
13 exceed the maximum mortgage amount insurable under  
14 the section or title pursuant to which the mortgage cover-  
15 ing such project or facility is insured;

16 “(2) have a maturity satisfactory to the Secretary  
17 but not to exceed the remaining term of the mortgage;

18 “(3) bear interest (exclusive of premium charges  
19 for insurance and service charges, if any) at not to ex-  
20 ceed such per centum per annum (not in excess of 6 per  
21 centum), on the amount of the principal obligation out-  
22 standing at any time, as the Secretary finds necessary to  
23 meet market conditions;

24 “(4) be secured in such manner as the Secretary  
25 may require;

“ (5) be governed by the labor standards provisions of section 212 that are applicable to the section or title pursuant to which the mortgage covering the project or facility is insured; and

“ (6) contain such other terms, conditions, and restrictions as the Secretary may prescribe.

“ (c) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to loans insured under this section, except that (1) all references to the term ‘mortgage’ shall be construed to refer to the term ‘loan’ as used in this section, (2) loans involving projects covered by a mortgage insured under section 213 that is the obligation of the Cooperative Management Housing Insurance Fund shall be insured under and shall be the obligation of such fund, and (3) loans involving projects covered by a mortgage insured under section 236 shall be insured under and shall be the obligation of the Special Risk Insurance Fund.”

HOME IMPROVEMENT LOANS—INCREASE IN MAXIMUM  
MATURITY, FINANCE CHARGE, AND LOAN AMOUNT

SEC. 308. Section 2 (b) of the National Housing Act is amended—

(1) by striking out “\$3,500” and inserting in lieu thereof “\$5,000”;



1           (2) by striking out “five years” and inserting in  
2           lieu thereof “seven years”;

3           (3) by striking out “\$5 discount” and inserting in  
4           lieu thereof “\$5.50 discount”; and

5           (4) by striking out “\$4 discount” and inserting in  
6           lieu thereof “\$4.50 discount”.

7                           EXPERIMENTAL HOUSING PROGRAM

8           SEC. 309. Section 233 of the National Housing Act is  
9           amended—

10           (1) by striking out “of this title” immediately be-  
11           fore the semicolon in subsection (b) and inserting in lieu  
12           thereof “or titles of this Act”; and

13           (2) by striking out “of this title” in subsection (e)  
14           and inserting in lieu thereof “or title of this Act”.

15                           TERM OF FEDERAL HOUSING ADMINISTRATION MORTGAGES

16   FOR LAND DEVELOPMENT

17           SEC. 310. Section 1002 (d) (1) of the National Housing  
18           Act is amended by striking out “seven years” and inserting  
19           in lieu thereof “ten years”.

20                           REHABILITATED MULTIFAMILY PROJECTS IN URBAN RE-

21   NEWAL AREAS

22           SEC. 311. (a) Section 220 (d) (3) (B) (ii) of the  
23           National Housing Act is amended by inserting immediately  
24           before the semicolon at the end thereof “: *Provided further,*  
25           That the mortgage may involve the financing of the pur-

1 chase of property which has been rehabilitated by a local  
2 public agency with Federal assistance pursuant to section  
3 110 (c) (8) of the Housing Act of 1949, and, in such case,  
4 the foregoing limitations upon the amount of the mortgage  
5 shall be based upon the appraised value of the property as  
6 of the date the mortgage is accepted for insurance”.

7 (b) Section 221 (d) (3) (iii) of such Act is amended  
8 by inserting immediately before the colon at the end of the  
9 first proviso “: *Provided further*, That the mortgage may  
10 involve the financing of the purchase of property which has  
11 been rehabilitated by a local public agency with Federal  
12 assistance pursuant to section 110 (c) (8) of the Housing  
13 Act of 1949, and, in such case, the amount of the mortgage  
14 shall not exceed the appraised value of the property as of the  
15 date the mortgage is accepted for insurance”.

16 MISCELLANEOUS HOUSING INSURANCE

17 SEC. 312. (a) Section 223 of the National Housing Act  
18 is amended—

19 (1) by striking out so much of subsection (a) as  
20 precedes paragraph (1) and inserting in lieu thereof the  
21 following:

22 “(a) Notwithstanding any of the provisions of this  
23 Act and without regard to limitations upon eligibility con-  
24 tained in any section or title of this Act, the Secretary is  
25 authorized, upon application by the mortgagee, to insure



1 or make commitments to insure under any section or title  
2 of this Act any mortgage—”;

3 (2) by striking out “applicable to loans insured  
4 under section 203, 207, 213, 220, 221, 222, 231, 232,  
5 or 233, as the case may be” in the first and second  
6 provisos of subsection (a) (7) and inserting in lieu  
7 thereof “prescribed under the applicable section or title  
8 of this Act”;

9 (3) by striking out “this title” each time it appears in  
10 subsection (c) and inserting in lieu thereof “this Act”;

11 (4) by striking out “title I, title II, title VI, title  
12 VII, title VIII, or title IX” in subsection (c) and in-  
13 serting in lieu thereof “any section or title of this Act”;  
14 and

15 (5) by striking out “(except that in any case the  
16 payment of insurance shall be in debentures)” at the end  
17 of subsection (c).

18 (b) Section 223 (d) of such Act is amended by striking  
19 out all that follows “as he may prescribe,” and inserting  
20 in lieu thereof the following: “insure under the same section  
21 as the original mortgage a loan by the mortgagee in an  
22 amount not exceeding the excess of the foregoing expenses  
23 over the project income. Such loan shall (1) bear interest  
24 (exclusive of premium charges for insurance) at not to  
25 exceed the per centum per annum currently permitted for

1 mortgages insured under the section under which it is to  
2 be insured, (2) be secured in such manner as the Secretary  
3 shall require, and (3) be limited to a term not exceeding  
4 the unexpired term of the original mortgage. The Secretary  
5 is authorized to collect a premium charge for insurance of  
6 loans pursuant to this subsection in an amount computed at  
7 the same premium rate as is applicable to the original  
8 mortgage. This premium shall be payable in cash or in  
9 debentures of the insurance fund under which the loan is  
10 insured at par plus accrued interest. In the event of a failure  
11 of the borrower to make any payment due under such loan  
12 or under the original mortgage, both the loan and original  
13 mortgage shall be considered in default, and if such default  
14 continues for a period of thirty days, the lender shall be  
15 entitled to insurance benefits, computed in the same manner  
16 as for the original mortgage, except that in determining the  
17 interest rate under section 224 for the debentures repre-  
18 senting the portion of the claim applicable to the loan, the  
19 date of the commitment to insure the loan and the insurance  
20 date of the loan shall be taken into consideration rather than  
21 the commitment or insurance date for the original mortgage.”

22 SUPPLEMENTARY LOANS FOR COOPERATIVE HOUSING PUR-  
23 CHASED FROM THE FEDERAL GOVERNMENT

24 SEC. 313. Section 213 (j) of the National Housing Act  
25 is amended—



1           (1) by inserting after the first sentence of paragraph  
2           (1) the following sentence: "The Secretary is further  
3           authorized to make commitments to insure and to insure  
4           supplementary cooperative loans (including advances  
5           during construction or improvement) with respect to  
6           any property purchased from the Federal Government  
7           by a nonprofit corporation or trust of the character  
8           described in paragraph (1) of subsection (a), if the  
9           property is covered by an uninsured mortgage repre-  
10          senting a part of the purchase price."; and

11          (2) by adding before the semicolon at the end of  
12          paragraph (2) (B) the following: "; except that, in  
13          the case of repairs or improvements to a property cov-  
14          ered by an uninsured mortgage dated more than twenty  
15          years prior to the date of the commitment to insure, of  
16          such magnitude that the Secretary deems them to be a  
17          major rehabilitation or modernization of such property,  
18          the loan may have a maturity date up to ten years in  
19          excess of the remaining term of the uninsured mort-  
20          gage".

21                               EQUIPMENT IN NURSING HOMES

22          SEC. 314. Section 232 of the National Housing Act is  
23          amended—

24               (1) by striking out subsection (b) (2) and insert-  
25          ing in lieu thereof the following:

1           “(2) the term ‘mortgage’ means a first mortgage  
2     on real estate in fee simple, or on the interest of either  
3     the lessor or lessee thereof (A) under a lease for not  
4     less than ninety-nine years which is renewable, or (B)  
5     under a lease having a period of not less than fifty years  
6     to run from the date the mortgage was executed. The  
7     term ‘first mortgage’ means such classes of first liens as  
8     are commonly given to secure advances (including but  
9     not limited to advances during construction) on, or the  
10    unpaid purchase price of, real estate under the laws of  
11    the State in which the real estate is located, together  
12    with the credit instrument or instruments, if any, secured  
13    thereby, and any mortgage may be in the form of one or  
14    more trust mortgages or mortgage indentures or deeds  
15    of trust, securing notes, bonds, or other credit instru-  
16    ments, and, by the same instrument or by a separate  
17    instrument, may create a security interest in initial  
18    equipment, whether or not attached to the realty. The  
19    term ‘mortgagor’ shall have the meaning set forth in  
20    section 207 (a) of this Act.”;

21           (2) by striking out so much of subsection (d) as  
22    precedes paragraph (1) and inserting in lieu thereof the  
23    following:

24           “(d) In order to carry out the purposes of this section,  
25    the Secretary is authorized to insure any mortgage which



1 covers a new or rehabilitated nursing home, including equip-  
 2 ment to be used in its operation, subject to the following  
 3 conditions:”; and

4 (3) by striking out “when the proposed improve-  
 5 ments are completed” before the period at the end of  
 6 subsection (d) (2) and inserting in lieu thereof the  
 7 following: “, including equipment to be used in the  
 8 operation of the nursing home, when the proposed  
 9 improvements are completed and the equipment is  
 10 installed”.

11 FLEXIBLE INTEREST RATES FOR CERTAIN FHA INSURANCE  
 12 PROGRAMS

13 SEC. 315. Section 3 (a) of the Act entitled “An Act to  
 14 amend chapter 37 of title 38 of the United States Code with  
 15 respect to the veterans’ home loan program, to amend the  
 16 National Housing Act with respect to interest rates on in-  
 17 sured mortgages, and for other purposes”, approved May 7,  
 18 1968, is amended by inserting “235 (j) (2) (C), 236  
 19 (j) (4) (B), 240 (c) (4), 241 (b) (3), 242 (d) (3) (B),”  
 20 after “234 (f),”.

21 FHA SECTION 221(h) PROGRAM

22 SEC. 316. (a) Section 221 (h) (2) (A) of the National  
 23 Housing Act is amended to read as follows:

24 “(A) be executed by a private nonprofit corpora-

tion or association, approved by the Secretary, for financing the purchase and rehabilitation (with the intention of subsequent resale) of property comprising one or more tracts or parcels, whether or not contiguous, upon which there is located deteriorating or substandard housing consisting of (i) four or more single-family dwellings of detached, semidetached, or row construction, or (ii) four or more one-family units in a structure or structures for which a plan of family unit ownership approved by the Secretary is established;”.

(b) Section 221 (h) of such Act is amended by adding at the end thereof (after the new paragraph added by section 101 (c) (3) of this Act) two new paragraphs as follows:

“(7) Where the Secretary has approved a plan of family unit ownership, the terms ‘single-family dwelling’, ‘single-family dwellings’, ‘individual dwelling’, and ‘individual dwellings’ shall mean a family unit or family units, together with the undivided interest (or interests) in the common areas and facilities.

“(8) For purposes of this subsection, the terms ‘single-family dwelling’ and ‘single-family dwellings’ (except for purposes of paragraph (7) ) shall include a two-family dwelling which has been approved by the Secretary if one of the units is to be occupied by the owner.”



## HOUSING IN OUTLYING AREAS

SEC. 317. Section 203 (i) of the National Housing Act is amended by striking out “not in excess of \$12,500” and inserting in lieu thereof “not in excess of \$15,000”.

## TITLE IV—URBAN RENEWAL

## NEIGHBORHOOD DEVELOPMENT PROGRAMS

SEC. 401. (a) Title I of the Housing Act of 1949 is amended by adding after the title heading the following new subheading:

“PART A—URBAN RENEWAL PROJECTS, DEMOLITION PROGRAMS, AND CODE ENFORCEMENT PROGRAMS”

(b) Title I of such Act is further amended by adding at the end thereof the following new part:

“PART B—NEIGHBORHOOD DEVELOPMENT PROGRAMS

“PURPOSE AND AUTHORITY

“SEC. 131. (a) To facilitate more rapid renewal and development of urban areas on an effective scale, and to encourage more efficient and flexible utilization of public and private development opportunities by local communities in such areas, the Secretary is authorized to make financial assistance available under this title to local public agencies for undertakings and activities which are carried out under a neighborhood development program approved by him pursuant to this part.

“(b) A neighborhood development program shall con-

1 sist of urban renewal project undertakings and activities in  
2 one or more urban renewal areas which are planned and  
3 carried out on the basis of annual increments in accordance  
4 with the provisions of this title for planning and carrying out  
5 urban renewal projects, except as modified by the provisions  
6 of this part.

7 “(c) No application for financial assistance in planning  
8 and carrying out a neighborhood development program shall  
9 be approved by the Secretary unless—

10 “(1) the governing body of the locality has, by  
11 resolution or ordinance, approved the proposed program  
12 and the annual increment covered by the application  
13 and authorized the filing of the application for financial  
14 assistance; and

15 “(2) the Secretary has concluded that there is the  
16 necessary capacity to carry out the undertakings and  
17 activities included under the program.

18 “FINANCIAL PROVISIONS

19 “SEC. 132. (a) Upon the approval of a neighborhood  
20 development program by the Secretary, the cost of any  
21 undertakings and activities authorized as part of the program  
22 shall be financed in accordance with the loan, capital grant,  
23 and project cost provisions of part A, except that—

24 “(1) net project cost may be calculated on the basis



1 of costs incurred and proceeds derived for the account  
2 of the program during a specified twelve-month period,  
3 and may be recalculated for succeeding periods of twelve  
4 months to reflect additional costs and additional proceeds  
5 since the date of the last computation or recomputation;  
6 and

7 “(2) if property has been acquired but not disposed  
8 of prior to the computation or recomputation of net proj-  
9 ect cost, temporary loans made or secured under this title  
10 to finance undertakings or activities included in the pro-  
11 gram may remain outstanding until the property has  
12 been disposed of and the proceeds thereof, together with  
13 additional funds becoming available to the program, are  
14 sufficient to permit repayment of the loans.

15 “(b) In the event that gross project cost as computed  
16 for a specified twelve-month period is exceeded, with respect  
17 to that period, by the sum of (1) the sales price of land  
18 or other property sold, and (2) the imputed capital value  
19 of land or other property leased or retained by the local  
20 public agency in accordance with the provisions of the urban  
21 renewal plan, the local public agency shall pay to the  
22 Secretary two-thirds of the excess (or three-fourths in the  
23 case of a program on a three-fourths grant basis), which  
24 amount shall be available to the Secretary for grant payments  
25 under section 103.

1                   “LOCAL GRANTS-IN-AID

2           “SEC. 133. (a) For the purpose of determining the  
3 eligibility of local grants-in-aid in connection with under-  
4 takings and activities carried out under a neighborhood  
5 development program, the three-year period referred to in  
6 the second paragraph of section 110 (d) shall be deemed to  
7 be a period of three years prior to the authorization by the  
8 Secretary of the first contract for financial assistance under  
9 the program which includes the urban renewal area which is  
10 benefited by the public improvement or facility for which  
11 credit is claimed; and the seven-year period referred to in  
12 clause (1) of section 112 (b) shall be deemed to be a period  
13 of seven years prior to the date of authorization by the Secre-  
14 tary of the first contract for financial assistance under the  
15 program which includes the urban renewal area which is  
16 benefited by the expenditures for which credit is claimed.

17           “(b) No portion of the cost of a public improvement or  
18 public facility (to the extent otherwise eligible) may be in-  
19 cluded as a local grant-in-aid in computing the gross project  
20 cost of an approved program for any twelve-month period—

21                   “(1) prior to commencement of construction of the  
22 improvement or facility, or

23                   “(2) in excess of the amount actually expended or  
24 obligated by contract.



1       “(c) The provisions of section 104 with respect to the  
2 pooling of local grants-in-aid among the various projects  
3 undertaken by a local public agency shall not be applicable  
4 with respect to any excess local grants-in-aid resulting from  
5 the urban renewal projects contained in a neighborhood de-  
6 velopment program.

7                               “GENERAL PROVISIONS

8       “SEC. 134. (a) For purposes of this part—

9               “(1) the workable program requirement in section  
10 101 (c) shall apply to the authorization, rather than the  
11 execution, of any contract for loans or capital grants;

12               “(2) capital grants on a three-fourths basis may  
13 only be made under section 103 (a) (2) (B) ;

14               “(3) the relocation requirements specified in sec-  
15 tion 105 (c) shall apply to each annual increment of an  
16 approved program;

17               “(4) section 106 (g) (relating to transient hous-  
18 ing) shall apply to activities undertaken under approved  
19 programs, except that the determination as to need for  
20 transient housing shall be made with respect to any sale  
21 or lease of land for construction of such housing prior to  
22 such sale or lease; and

23               “(5) the requirement concerning demolition and  
24 removal of buildings and improvements stated in clause  
25 (A) of the sentence following paragraph (10) of sec-

1       tion 110 (c) shall apply to each annual increment of an  
2       approved program.

3       “(b) The approval by the Secretary of financial assist-  
4       ance for one or more annual increments of a neighborhood  
5       development program shall not be considered as obligating  
6       him to provide financial assistance for any subsequent annual  
7       increments.

8       “(c) The urban renewal plan referred to in section 110  
9       (b) may cover one or more of the urban renewal areas cov-  
10      ered by a neighborhood development program and such plan  
11      may be modified from time to time to cover additional urban  
12      renewal areas added to the program. The Secretary may  
13      establish such requirements as he deems appropriate pre-  
14      scribing the scope and content of such plan, taking into con-  
15      sideration, among other matters, the degree of detail needed  
16      in the plan to properly and expeditiously carry out the activi-  
17      ties and undertakings proposed in any annual increment of a  
18      neighborhood development program.”

19      (c) Notwithstanding any requirement or condition to the  
20      contrary in section 6 or 20 (i) of the District of Columbia  
21      Redevelopment Act of 1945 or in any other provision of  
22      law, the District of Columbia Redevelopment Land Agency  
23      may plan and undertake neighborhood development programs  
24      under part B of title I of the Housing Act of 1949 (as  
25      added by this section), subject to all of the provisions of



1 such Act of 1945 to the extent not inconsistent with such  
2 part B, and any such program shall be regarded as comply-  
3 ing with the requirements of such sections 6 and 20 (i) and  
4 of such other provision of law if it meets the applicable re-  
5 quirements established under such part B.

6 INCREASED AUTHORIZATION

7 SEC. 402. (a) Section 103 (b) of the Housing Act  
8 of 1949 is amended by striking out everything in the first  
9 sentence after "exceed" and inserting in lieu thereof  
10 "\$7,600,000,000, which amount shall be increased by  
11 \$1,400,000,000 on July 1, 1969".

12 (b) Section 103 (b) of such Act is further amended by  
13 striking out "\$250,000,000" in the second sentence and  
14 inserting in lieu thereof "\$600,000,000".

15 REHABILITATION GRANTS

16 SEC. 403. (a) The second sentence of section 115  
17 (a) of the Housing Act of 1949 is amended by striking out  
18 the words "a structure" and "such structure" and inserting  
19 in lieu thereof "real property" and "such real property",  
20 respectively.

21 (b) Section 115 (b) of such Act is amended by striking  
22 out "\$1,500" and inserting in lieu thereof "\$3,000".

23 (c) Section 115 (a) of such Act is amended by insert-  
24 ing "(1)" after "(a)", and by adding at the end thereof a  
25 new paragraph as follows:

1       “(2) In addition to the authority conferred by para-  
2 graph (1), and notwithstanding any other provision of this  
3 title, the Secretary is authorized, through the utilization of  
4 local public agencies where feasible, to make grants (pay-  
5 able from any grant funds provided under section 103 (b) )  
6 to an individual or family, as described in subsection (c), to  
7 cover the cost of repairs and improvements necessary to make  
8 real property owned and occupied by such individual or  
9 family conform to public standards for decent, safe, and sani-  
10 tary housing as required by applicable codes. No grants shall  
11 be made under this paragraph in the case of any property  
12 unless such property is in an area within a locality (other  
13 than an urban renewal area or an area in which a program  
14 of concentrated code enforcement is being carried out pur-  
15 suant to section 117) which the governing body of the local-  
16 ity has determined, and so certifies to the Secretary, contains  
17 a substantial number of structures in need of rehabilitation.

18       (d) Section 115 of such Act is further amended—

19               (1) by redesignating subsection (b) as subsection  
20               (c) and inserting after subsection (a) a new subsection  
21               (b) as follows:

22       “(b) The Secretary is authorized to make grants (pay-  
23 able from any grant funds provided under section 103 (b) ) ,  
24 through the utilization of local public and private agencies



1 where feasible, to an individual or family, as described in  
2 subsection (c), who owns and occupies real property which  
3 has been determined to be uninsurable because of physical  
4 hazards after an inspection pursuant to a statewide property  
5 insurance plan approved by the Secretary under title XII  
6 of the National Housing Act. Such grants may only be  
7 made to rehabilitate such property to the extent which the  
8 Secretary determines to be necessary to make it meet  
9 reasonable underwriting standards imposed by such plan  
10 and only where the property is located in an area which the  
11 Secretary determines (1) is sufficiently stable and contains  
12 sufficient public facilities and amenities to support long-term  
13 values, or (2) is one in which public or private actions are  
14 being carried out, or are proposed to be carried out, of such  
15 scope and quality as to give reasonable promise that a stable  
16 environment will be created.”; and

17 (2) by striking out “subsection (b)” in subsection  
18 (a) and inserting in lieu thereof “subsection (c)”.

19 REHABILITATION IN URBAN RENEWAL AREAS

20 SEC. 404. Section 110(c) (8) of the Housing Act of  
21 1949 is amended by striking out (1) “guidance purposes,  
22 and”, and (2) the proviso at the end thereof.

DISPOSITION OF PROPERTY FOR LOW AND MODERATE  
INCOME HOUSING

SEC. 405. Section 107 (a) of the Housing Act of 1949  
is amended—

(1) by inserting “or other approved purchaser or  
lessee,” after “public body or agency,”;

(2) by inserting “, section 221 (h) (1), section  
235 (j) (1), or section 236” after “or (d) (4)”;

(3) by inserting “or lessee” after “a purchaser”  
and after “such purchaser”, and “or lease” after  
“purchase”;

(4) by striking out “rental or cooperative”; and

(5) by striking out “moderate” and inserting in lieu  
thereof “low or moderate”.

CAPITAL GRANTS FOR LOW AND MODERATE INCOME HOUS-  
ING IN OPEN LAND PROJECTS

SEC. 406. Section 103 (a) (1) of the Housing Act of  
1949 is amended by inserting before the period at the end  
thereof the following: “, except that he may contract for  
such a grant in an amount not to exceed two-thirds of the  
difference between the proceeds from any land disposed of



1 pursuant to section 107 and the fair value of the  
2 land without regard to such section”.

3 URBAN RENEWAL LOAN CONTRACTS

4 SEC. 407. (a) Section 102 (c) of the Housing Act of  
5 1949 is amended—

6 (1) by striking out “at interest rates lower than  
7 provided in the loan contract” in the first sentence; and

8 (2) by inserting before the period at the end of the  
9 first sentence the following: “: *Provided*, That, if at  
10 any time during the undertaking of the project, the inter-  
11 est rate on such a loan from a source other than the  
12 Federal Government is greater than the rate at which  
13 funds could be made available under the Federal loan  
14 contract, the Secretary may make a supplemental grant  
15 to the local public agency in the amount of the difference  
16 between the interest cost from such sources and the  
17 interest cost at the contract rate, and no part of the  
18 amount of any such grant shall be required to be con-  
19 tributed as a part of the local grant-in-aid”.

20 (b) Loan contracts outstanding on the date of enact-  
21 ment of this section may be amended to incorporate the  
22 provisions authorized by the amendment contained in sub-  
23 section (a) without regard to the proviso in section 110 (g)  
24 of the Housing Act of 1949.

1 PROJECT COMPLETION PRIOR TO DISPOSITION OF CERTAIN  
2 PROPERTY

3 SEC. 408. (a) Section 106 of the Housing Act of 1949  
4 is amended by adding at the end thereof the following new  
5 subsection:

6 “(i) Upon a determination by the Secretary that (1)  
7 not more than 5 per centum of the total area of land ac-  
8 quired as part of an urban renewal project remains to be  
9 disposed of, (2) the local public agency does not expect  
10 to be able, due to circumstances beyond its control, to dis-  
11 pose of such land in the near future, (3) all other project  
12 activities are completed, and (4) the local public agency  
13 has agreed to dispose of or retain such land for uses in ac-  
14 cordance with the urban renewal plan, the urban renewal  
15 project may be deemed completed, and the net project cost  
16 may be computed and the capital grant paid.”

17 (b) Section 110 (f) of such Act is amended by insert-  
18 ing before the period at the end thereof the following: “or  
19 for subsequent disposition or retention as provided under  
20 section 106 (i) ”.

21 REHABILITATION LOANS

22 SEC. 409. (a) The first sentence of section 312 (d) of  
23 the Housing Act of 1964 is amended to read as follows:  
24 “There is authorized to be appropriated for each fiscal year



1 such amounts as may be necessary which shall constitute a  
2 revolving fund to be used by the Secretary in carrying out  
3 this section.”

4 (b) Section 312 (h) of such Act is amended by striking  
5 out “October 1, 1969” and inserting in lieu thereof “June  
6 30, 1973”.

7 (c) Section 312 (a) of such Act is amended to read  
8 as follows:

9 “(a) The Secretary is authorized, through the utilization  
10 of local public and private agencies where feasible, to make  
11 loans as herein provided to the owners and tenants of prop-  
12 erty to finance the rehabilitation of such property. No loan  
13 shall be made under this section unless—

14 “(1) (A) the property is situated in an urban re-  
15 newal area or an area in which a program of concen-  
16 trated code enforcement activity is being carried out  
17 pursuant to section 117 of the Housing Act of 1949,  
18 and the rehabilitation is required to make the property  
19 conform to applicable code requirements or to carry out  
20 the objectives of the urban renewal plan for the area  
21 and, in addition, to generally improve the condition of  
22 the property; or

23 “(B) (i) the property is in an area (other than an  
24 area described in subparagraph (A) ) which the govern-  
25 ing body of the locality has determined, and so certifies

1 to the Secretary, contains a substantial number of struc-  
2 tures in need of rehabilitation and (ii) the property is  
3 residential, owner-occupied, and in need of substantial  
4 rehabilitation;

5 “(2) the applicant is unable to secure the necessary  
6 funds from other sources upon comparable terms and  
7 conditions; and

8 “(3) the loan is an acceptable risk taking into con-  
9 sideration the need for the rehabilitation, the security  
10 available for the loan, and the ability of the applicant  
11 to repay the loan.”

12 (d) Section 312 of such Act is further amended—

13 (1) by inserting “or” after the semicolon at the  
14 end of paragraph (1) (B) in subsection (a) (as  
15 amended by subsection (c) of this section), and by  
16 inserting after such paragraph (1) (B) the following  
17 new subparagraph:

18 “(C) (i) the property has been determined to be  
19 uninsurable because of physical hazards after an in-  
20 spection pursuant to a statewide property insurance plan  
21 approved by the Secretary under title XII of the Na-  
22 tional Housing Act, (ii) the loan is made to the owner  
23 or tenant of the property to finance rehabilitation which  
24 the Secretary determines to be necessary to make the



1 property meet reasonable underwriting standards, and  
 2 (iii) the property is located in an area which the Secre-  
 3 tary determines is sufficiently stable and contains suffi-  
 4 cient public facilities and amenities to support long-term  
 5 values, or is one in which public or private actions are  
 6 being carried out, or are proposed to be carried out, of  
 7 such scope and quality as to give reasonable promise that  
 8 a stable environment will be created;” and

9 (2) by striking out “or” after “applicable codes”  
 10 in subsection (b) (1) and inserting in lieu thereof a  
 11 comma, and by inserting after “urban renewal plan” in  
 12 such subsection “, or a Statewide property insurance  
 13 plan”.

#### 14 DEMOLITION GRANTS

15 SEC. 410. (a) The first sentence of section 116 (a) of  
 16 the Housing Act of 1949 is amended by inserting after “un-  
 17 sound” the following: “, a harborage or potential harborage  
 18 of rats,”.

19 (b) Section 116 (b) of such Act is amended by inserting  
 20 after the comma at the end of clause (2) the following:  
 21 “or will be consistent with a systematic rodent control pro-  
 22 gram being undertaken in the neighborhood,”.

#### 23 AIR RIGHTS SITES IN URBAN RENEWAL AREAS

24 SEC. 411. (a) Section 110 (c) (1) (iv) of the Hous-  
 25 ing Act of 1949 is amended by striking out “for use for indus-

1 trial development” and inserting in lieu thereof “for use for  
2 the development of industrial or educational facilities”.

3 (b) Section 110(c) (7) of such Act is amended by  
4 striking out “for industrial development” and inserting in  
5 lieu thereof “for the development of industrial or educational  
6 facilities”.

7 INTERIM ASSISTANCE FOR BLIGHTED AREAS

8 SEC. 412. Title I of the Housing Act of 1949 is amended  
9 by adding after section 117 a new section as follows:

10 “INTERIM ASSISTANCE FOR BLIGHTED AREAS

11 “SEC. 118. Notwithstanding any other provision of this  
12 title, the Secretary is authorized to enter into contracts (in  
13 an aggregate amount not to exceed \$40,000,000 in any fiscal  
14 year) to make, and to make, grants as provided in this sec-  
15 tion (payable from any grant funds provided under section  
16 103 (b) ) to cities, other municipalities, and counties for the  
17 purpose of assisting such localities in carrying out programs to  
18 alleviate harmful conditions in slum and blighted areas which  
19 are planned for substantial clearance, rehabilitation, or fed-  
20 erally assisted code enforcement in the near future but in  
21 which some immediate public action is needed until clear-  
22 ance, rehabilitation, or code enforcement activities can be  
23 undertaken. Such grants shall not exceed two-thirds (or  
24 three-fourths in the case of any city, other municipality,



1 or county having a population of fifty thousand or less  
2 according to the most recent decennial census) of the  
3 cost of planning and carrying out programs which may  
4 include (1) the repair of streets, sidewalks, parks, play-  
5 grounds, publicly owned utilities, and public buildings to  
6 meet needs consistent with the short-term continued use  
7 of the area prior to the undertaking of the contemplated  
8 clearance or upgrading activities, (2) the improvement of  
9 private properties to the extent needed to eliminate the most  
10 immediate dangers to public health and safety, (3) the  
11 demolition of structures determined to be structurally un-  
12 sound or unfit for human habitation and which constitute a  
13 public nuisance and serious hazard to the public health and  
14 safety, (4) the establishment of temporary public play-  
15 grounds on vacant land within the area, and (5) the im-  
16 provement of garbage and trash collection, street cleaning,  
17 and similar activities. The Secretary shall encourage, wher-  
18 ever feasible, the employment of otherwise unemployed or  
19 underemployed residents of the area in carrying out the  
20 activities and undertakings assisted under this section. The  
21 provisions of sections 101 (c), 106, and 114 shall be appli-  
22 cable to activities and undertakings assisted under this  
23 section to the same extent as if such activities and under-

1 takings were being carried out in an urban renewal area  
2 as part of an urban renewal project.”

3     LOW AND MODERATE INCOME HOUSING IN RESIDENTIAL  
4                     URBAN RENEWAL AREAS

5     SEC. 413. Section 105 (f) of the Housing Act of 1949  
6 is amended to read as follows:

7     “(f) A majority of the housing units provided in each  
8 community’s total of such approved urban renewal projects as  
9 will be redeveloped for predominantly residential uses and  
10 which receive Federal recognition after the date of enactment  
11 of the Housing and Urban Development Act of 1968 shall be  
12 standard housing units for low and moderate income families  
13 or individuals: *Provided*, That the units in each community’s  
14 total of such approved urban renewal projects which are for  
15 low income families or individuals shall constitute at least 20  
16 per centum of the units in such projects.”

17     WORKABLE PROGRAM REQUIREMENT IN CASE OF INDIAN  
18                     TRIBES

19     SEC. 414. Section 101 (c) of the Housing Act of 1949 is  
20 amended by inserting after “1964” in the second proviso the  
21 following: “or, in the case of an Indian tribe, band, or nation,  
22 commencing January 1, 1969”.



## 1 TITLE V—URBAN PLANNING AND FACILITIES

## 2 COMPREHENSIVE PLANNING

3 SEC. 501. Section 701 of the Housing Act of 1954 is  
4 amended to read as follows:

## 5 “COMPREHENSIVE PLANNING

6 “SEC. 701. (a) In order to assist State and local gov-  
7 ernments in solving planning problems, including those  
8 resulting from the increasing concentration of population in  
9 metropolitan and other urban areas and the out-migration  
10 from and lack of coordinated development of resources and  
11 services in rural areas; to facilitate comprehensive planning  
12 for urban and rural development, including coordinated trans-  
13 portation systems, on a continuing basis by such governments;  
14 and to encourage such governments to establish and improve  
15 planning staffs and techniques on an areawide basis, and to  
16 engage private consultants where their professional services  
17 are deemed appropriate by the assisted governments, the  
18 Secretary is authorized to make planning grants to—

19 “(1) State planning agencies for the provision of  
20 planning assistance to (A) cities and other municipal-  
21 ities having a population of less than 50,000 ac-  
22 cording to the latest decennial census, and counties  
23 without regard to population: *Provided*, That grants  
24 shall be made under this paragraph for planning assist-  
25 ance to counties having a population of 50,000 or more,

1 according to the latest decennial census, which are  
2 within metropolitan areas, only if (i) the Secretary finds  
3 that planning and plans for such county will be co-  
4 ordinated with the program of comprehensive planning,  
5 if any, which is being carried out for the metropolitan  
6 area of which the county is a part, and (ii) the aggre-  
7 gate amount of the grants made subject to this proviso  
8 does not exceed 15 per centum of the aggregate amount  
9 appropriated, after September 2, 1964, for the purposes  
10 of this section, (B) any group of adjacent communities,  
11 either incorporated or unincorporated, having a total pop-  
12 ulation of less than 50,000 according to the latest  
13 decennial census and having common or related urban  
14 planning problems, (C) cities, other municipalities, and  
15 counties referred to in paragraph (3) of this subsection,  
16 and areas referred to in paragraph (4) of this subsec-  
17 tion, and (D) Indian reservations;

18 “(2) State, metropolitan, and regional planning  
19 agencies for metropolitan or regional planning, and to  
20 cities within metropolitan areas for planning which is  
21 part of comprehensive metropolitan planning and which  
22 shall supplement and be coordinated with State, metro-  
23 politan, and regional planning;

24 “(3) cities, other municipalities, and counties which



1       (A) are situated in redevelopment areas or economic  
2       development districts designated by the Secretary of  
3       Commerce under title IV of the Public Works and Eco-  
4       nomic Development Act of 1965, or (B) have suffered  
5       substantial damage as a result of a catastrophe which  
6       the President, pursuant to section 2(a) of the Act  
7       entitled 'An Act to authorize Federal assistance to States  
8       and local governments in major disasters, and for other  
9       purposes', approved September 30, 1950, as amended  
10      (42 U.S.C. 1855a), has determined to be a major  
11      disaster;

12       “(4) official governmental planning agencies for  
13      areas where rapid urbanization has resulted or is ex-  
14      pected to result from the establishment or rapid and  
15      substantial expansion of a Federal installation, or for  
16      areas where rapid urbanization is expected to result on  
17      land developed or to be developed as a new community  
18      approved under section 1004 of the National Housing  
19      Act;

20       “(5) States for State and interstate comprehensive  
21      planning and for research and coordination activity re-  
22      lated thereto, including technical and other assistance  
23      for the establishment and operation of intrastate and  
24      interstate planning agencies;

25       “(6) State planning agencies for assistance to dis-

1        trict planning, or planning for areas within districts,  
2        carried on by or for district planning agencies;

3            “(7) metropolitan and regional planning agencies,  
4        with the approval of the State planning agency or (in  
5        States where no such planning agency exists) of the  
6        Governor of the State, for the provision of planning as-  
7        sistance within the metropolitan area or region to cities,  
8        other municipalities, counties, groups of adjacent com-  
9        munities, or Indian reservations described in clauses  
10       (A), (B), (C), and (D) of paragraph (1) of this  
11       subsection;

12           “(8) official governmental planning agencies for  
13        any area where there has occurred a substantial reduc-  
14        tion in employment opportunities as the result of (A)  
15        the closing (in whole or in part) of a Federal installa-  
16        tion, or (B) a decline in the volume of Government  
17        orders for the procurement of articles or materials pro-  
18        duced or manufactured in such area;

19           “(9) tribal planning councils or other tribal bodies  
20        designated by the Secretary of the Interior for planning  
21        for an Indian reservation;

22           “(10) the Appalachian Regional Commission,  
23        established by the Appalachian Regional Development  
24        Act of 1965, for comprehensive planning for the Appa-  
25        lachian region as defined by section 403 of such Act



1 (or State agencies or instrumentalities participating in  
2 such planning) ; and

3 “(11) local development districts, certified under  
4 section 301 of the Appalachian Regional Development  
5 Act of 1965, for comprehensive planning for their entire  
6 areas, or for metropolitan planning, urban planning,  
7 county planning, or small municipality planning within  
8 such areas in the Appalachian region, and for planning  
9 for Appalachian regional programs.

10 Planning assisted under this section shall, to the maximum  
11 extent feasible, cover entire areas having common or related  
12 development problems. The Secretary shall encourage co-  
13 operation in preparing and carrying out plans among all  
14 interested municipalities, political subdivisions, public agen-  
15 cies, and other parties in order to achieve coordinated devel-  
16 opment of entire areas. To the maximum extent feasible,  
17 pertinent plans and studies already made for areas shall be  
18 utilized so as to avoid unnecessary repetition of effort and  
19 expense. Planning which may be assisted under this section  
20 includes the preparation of comprehensive transportation  
21 surveys, studies, and plans to aid in solving problems of  
22 traffic congestion, facilitating the circulation of people and  
23 goods in metropolitan and other areas and reducing trans-  
24 portation needs. Planning carried out with assistance under  
25 this section shall also include a housing element as part of the

1 preparation of comprehensive land use plans, and this con-  
2 sideration of the housing needs and land use requirements  
3 for housing in each comprehensive plan shall take into ac-  
4 count all available evidence of the assumptions and statistical  
5 basis upon which the projection of zoning, community facili-  
6 ties, and population growth is based, so that the housing  
7 needs of both the region and the local communities studied  
8 in the planning will be adequately covered in terms of exist-  
9 ing and prospective in-migrant population growth. Funds  
10 available under this section shall be in addition to and may  
11 be used jointly with funds available for planning surveys  
12 and investigations under other federally aided programs, and  
13 nothing contained in this section shall be construed as affect-  
14 ing the authority of the Secretary of Transportation under  
15 section 307 of title 23, United States Code.

16 “(b) A planning grant made under subsection (a) shall  
17 not exceed two-thirds of the estimated cost of the work for  
18 which the grant is made: *Provided*, That such a grant may  
19 be made for up to 75 per centum of such estimated cost when  
20 made for planning primarily for (1) redevelopment areas,  
21 local development districts, or economic development districts,  
22 or portions thereof, described in paragraphs (3) (A) and  
23 (11) of subsection (a), (2) areas described in subsection  
24 (a) (8), and (3) the Appalachian region, as described in



1 subsection (a) (10). All grants made under this section shall  
2 be subject to terms and conditions prescribed by the Secre-  
3 tary. No portion of any grant made under this section shall  
4 be used for the preparation of plans for specific public works.  
5 The Secretary is authorized, notwithstanding the provisions  
6 of section 3648 of the Revised Statutes, as amended, to make  
7 advance or progress payments on account of any grant made  
8 under this section. There are authorized to be appropriated  
9 for the purposes of this section not to exceed \$265,000,000  
10 prior to July 1, 1969, and not to exceed \$390,000,000 prior  
11 to July 1, 1970. Of the amount available prior to July 1,  
12 1969, \$20,000,000 may be used only for district planning  
13 grants under subsection (a) (6), which amount shall be  
14 increased by \$10,000,000 on July 1, 1969. Any amounts  
15 appropriated under this section shall remain available until  
16 expended: *Provided*, That of any funds appropriated under  
17 this section, not to exceed an aggregate of \$10,000,000 plus  
18 5 per centum of the funds so appropriated may be used by  
19 the Secretary for studies, research, and demonstration proj-  
20 ects, undertaken independently or by contract, for the devel-  
21 opment and improvement of techniques and methods for com-  
22 prehensive planning and for the advancement of the purposes  
23 of this section, and for grants to assist in the conduct of  
24 studies and research relating to needed revisions in State

1 statutes which create, govern, or control local governments  
2 and local governmental operations.

3 “(c) The Secretary is authorized, in areas embracing  
4 several municipalities or other political subdivisions, to en-  
5 courage planning on a unified regional, district, or metro-  
6 politan basis and to provide technical assistance for such  
7 planning and the solution of problems relating thereto.

8 “(d) It is the further intent of this section to encourage  
9 comprehensive planning, including transportation planning,  
10 for States, cities, counties, metropolitan areas, districts, re-  
11 gions, and Indian reservations and the establishment and  
12 development of the organizational units needed therefor. In  
13 extending financial assistance under this section, the Secre-  
14 tary may require such assurances as he deems adequate that  
15 the appropriate State and local agencies are making reason-  
16 able progress in the development of the elements of com-  
17 prehensive planning. The Secretary is authorized to provide  
18 technical assistance to State and local governments and their  
19 agencies and instrumentalities, and to Indian tribal bodies,  
20 undertaking such planning and, by contract or otherwise, to  
21 make studies and publish information on related problems.

22 “(e) In the exercise of his responsibilities under this  
23 section, the Secretary shall consult with those officials of  
24 the Federal Government responsible for the administration of



1 programs of Federal assistance to the States and municipali-  
2 ties for various categories of public facilities and other com-  
3 prehensively planned activities. He shall, particularly, con-  
4 sult with the Secretary of Agriculture prior to his approval  
5 of any district planning grants under subsections (a) (6) and  
6 (g). The Secretary of Agriculture may provide technical  
7 assistance, with or without reimbursement, in connection with  
8 the establishment of such districts and the carrying out of  
9 such planning.

10 “(f) The consent of the Congress is hereby given to any  
11 two or more States to enter into agreements or compacts, not  
12 in conflict with any law of the United States, for cooperative  
13 efforts and mutual assistance in the comprehensive planning  
14 for the growth and development of interstate, metropolitan,  
15 or other urban areas, and to establish such agencies, joint or  
16 otherwise, as they may deem desirable for making effective  
17 such agreements and compacts.

18 “(g) In addition to the planning grants authorized by  
19 subsection (a), the Secretary is further authorized to make  
20 grants to organizations composed of public officials repre-  
21 sentative of the political jurisdictions within the metropolitan  
22 area, region, or district for the purpose of assisting such  
23 organizations to undertake studies, collect data, develop  
24 metropolitan, regional, and district plans and programs,  
25 and engage in such other activities as the Secretary finds

1 necessary or desirable for the solution of the metropolitan,  
2 regional, or district problems in such areas, regions, or  
3 districts. To the maximum extent feasible, all grants under  
4 this subsection shall be for activities relating to all the de-  
5 velopmental aspects of the total metropolitan area, region, or  
6 district including, but not limited to, land use, transportation,  
7 housing, economic development, natural resources develop-  
8 ment, community facilities, and the general improvement of  
9 living environments. A grant under this subsection shall not  
10 exceed two-thirds of the estimated cost of the work for which  
11 the grant is made.

12 “(h) In addition to the other grants authorized by this  
13 section, the Secretary is authorized to make grants to assist  
14 any city, other municipality, or county in making a survey  
15 of the structures and sites in such locality which are de-  
16 termined by its appropriate authorities to be of historic or  
17 architectural value. Any such survey shall be designed to  
18 identify the historic structures and sites in the locality, deter-  
19 mine the cost of their rehabilitation or restoration, and pro-  
20 vide such other information as may be necessary or appro-  
21 priate to serve as a foundation for a balanced and effective  
22 program of historic preservation in such locality. The aspects  
23 of any such survey which relate to the identification of his-  
24 toric and architectural values shall be conducted in accord-



1   ance with criteria found by the Secretary to be comparable  
2   to those used in establishing the national register main-  
3   tained by the Secretary of the Interior under other provisions  
4   of law; and the results of each such survey shall be made  
5   available to the Secretary of the Interior. A grant under this  
6   subsection shall not exceed two-thirds of the cost of the sur-  
7   vey for which it is made, and shall be made to the appro-  
8   priate agency or entity specified in paragraphs (1) through  
9   (11) of subsection (a) or, if there is no such agency or en-  
10   tity which is qualified and willing to receive the grant and  
11   provide for its utilization in accordance with this subsection,  
12   directly to the city, other municipality, or county involved.

13       “(i) As used in this section—

14       “(1) The term ‘metropolitan area’ means a standard  
15   metropolitan statistical area, as established by the Bureau of  
16   the Budget, subject, however, to such modifications or exten-  
17   sions as the Secretary deems to be appropriate for the pur-  
18   poses of this section.

19       “(2) The term ‘region’ includes (A) all or part of the  
20   area of jurisdiction of one or more units of general local  
21   government, and (B) one or more metropolitan areas.

22       “(3) The term ‘district’ includes all or part of the area  
23   of jurisdiction of (A) one or more counties, and (B) one or  
24   more other units of general local government, but does not  
25   include any portion of a metropolitan area.

1       “(4) The term ‘comprehensive planning’ includes the  
2 following:

3           “(A) preparation, as a guide for governmental  
4 policies and action, of general plans with respect to  
5 (i) the pattern and intensity of land use, (ii) the pro-  
6 vision of public facilities (including transportation fa-  
7 cilities) and other government services, and (iii) the  
8 effective development and utilization of human and  
9 natural resources;

10          “(B) long-range physical and fiscal plans for such  
11 action;

12          “(C) programing of capital improvements and  
13 other major expenditures, based on a determination of  
14 relative urgency, together with definitive financing plans  
15 for such expenditures in the earlier years of the program;

16          “(D) coordination of all related plans and activities  
17 of the State and local governments and agencies con-  
18 cerned; and

19          “(E) preparation of regulatory and administrative  
20 measures in support of the foregoing.

21 Comprehensive planning for the purpose of districts  
22 shall not include planning for or assistance to estab-  
23 lishments in relocating from one area to another or  
24 assist subcontractors whose purpose is to divest, or whose  
25 economic success is dependent upon divesting, other con-



1 tractors or subcontractors of contracts theretofore customarily  
2 performed by them: *Provided*, That this limitation shall not  
3 be construed to prohibit assistance for the expansion of an  
4 existing business entity through the establishment of a new  
5 branch, affiliate, or subsidiary of such entity, if the Secretary  
6 finds that the establishment of such branch, affiliate, or sub-  
7 sidiary will not result in an increase in unemployment in  
8 the area of original location or in any other area where such  
9 entity conducts business operations, unless the Secretary has  
10 reason to believe that such branch, affiliate, or subsidiary  
11 is being established with the intention of closing down the  
12 operations of the existing business entity in the area of its  
13 original location or in any other area where it conducts such  
14 operations.

15 “ (5) The term ‘State planning agencies’ includes official  
16 State planning agencies and (in States where no such plan-  
17 ning agency exists) agencies or instrumentalities of State  
18 government designated by the Governor of the State and  
19 acceptable to the Secretary.

20 “ (6) The terms ‘metropolitan planning agencies’,  
21 ‘regional planning agencies’, and ‘district planning agencies’  
22 mean official metropolitan, regional, and district planning  
23 agencies, or other agencies and instrumentalities designated  
24 by the Governor (or Governors in the case of interstate

1 planning), and acceptable to the Secretary, empowered  
2 under State or local law or interstate compact to perform  
3 metropolitan, regional, or district planning, respectively:  
4 *Provided*, That such agencies and instrumentalities shall,  
5 to the greatest practicable extent, be composed of or respon-  
6 sible to the elected officials of the unit or units of general  
7 local government for whose jurisdictions they are empowered  
8 to engage in planning.”

9                   PLANNED AREAWIDE DEVELOPMENT

10       SEC. 502. (a) The heading of title II of the Demon-  
11 stration Cities and Metropolitan Development Act of 1966  
12 is amended to read as follows: “TITLE II—PLANNED  
13 AREAWIDE DEVELOPMENT”.

14       (b) Section 201 of such Act is amended to read as  
15 follows:

16                   “FINDINGS AND DECLARATION OF PURPOSE

17       “SEC. 201. (a) The Congress hereby finds that the  
18 welfare of the Nation and of its people is directly dependent  
19 upon the sound and orderly development and the effective  
20 organization and functioning of our State and local govern-  
21 ments.

22       “It further finds that it is essential that our State and  
23 local governments prepare, keep current, and carry out com-  
24 prehensive plans and programs for their orderly physical



1 development with a view to meeting efficiently all their  
2 economic and social needs.

3 “It further finds that our State and local governments  
4 are especially handicapped in this task by the complexity  
5 and scope of governmental services required, the multiplicity  
6 of political jurisdictions and agencies involved, and the inade-  
7 quacy of the operational and administrative arrangements  
8 available for cooperation among them.

9 “It further finds that present requirements for areawide  
10 planning and programing in connection with various Federal  
11 programs have materially assisted in the solution of areawide  
12 problems, but that greater coordination of Federal programs  
13 and additional participation and cooperation are needed from  
14 the States and localities in perfecting and carrying out such  
15 efforts.

16 “(b) It is the purpose of this title to provide through  
17 greater coordination of Federal programs, and through sup-  
18 plementary grants for certain federally assisted development  
19 projects, additional encouragement and assistance to States  
20 and localities for making comprehensive areawide planning  
21 and programing effective.”

22 (c) Section 202 of such Act is amended by striking out  
23 “metropolitan” each place it appears and inserting in lieu  
24 thereof “areawide”.

25 (d) (1) Section 205 of such Act is amended by striking

1 out “metropolitan development” each place it appears and  
2 inserting in lieu thereof “areawide development”.

3 (2) Such section is further amended by striking out  
4 “metropolitan areas” and “metropolitan area” and inserting  
5 in lieu thereof “areas” and “area”, respectively.

6 (3) Such section is further amended by striking out  
7 “metropolitanwide” each place it appears, and inserting in  
8 lieu thereof “areawide”.

9 (4) Such section is further amended by striking out  
10 “metropolitan planning” each place it appears and insert-  
11 ing in lieu thereof “areawide planning”.

12 (5) Such section is further amended by inserting “where  
13 appropriate,” after “(B)” in subsection (c) (1).

14 (6) Such section is further amended by striking out  
15 “within the metropolitanwide area” in subsection (f).

16 (e) (1) Paragraphs (1) and (2) of section 208 of  
17 such Act are amended by striking out “Metropolitan” and  
18 inserting in lieu thereof “Areawide”.

19 (2) Paragraph (7) of such section is amended—

20 (A) by striking out “or metropolitan or regional”  
21 and inserting in lieu thereof “, metropolitan, regional,  
22 or district”; and

23 (B) by striking out “metropolitan” in the paren-  
24 thetical phrase.

25 (f) Section 206 (b) of such Act is amended by striking



1 out the second sentence and inserting in lieu thereof the  
2 following: "Any amounts appropriated under this section  
3 shall remain available until expended, and any amounts  
4 authorized for any fiscal year under this section but not  
5 appropriated may be appropriated for any succeeding fiscal  
6 year commencing prior to July 1, 1970."

7                   ADVANCE ACQUISITION OF LAND

8           SEC. 503. (a) Section 701 of the Housing and Urban  
9 Development Act of 1965 is amended by striking out "in  
10 connection with the future construction of public works and  
11 facilities" in clause (3) and inserting in lieu thereof "in the  
12 future for public purposes".

13           (b) Section 704 of such Act is amended to read as  
14 follows:

15                   "ADVANCE ACQUISITION OF LAND

16           "SEC. 704. (a) In order to encourage and assist the  
17 timely acquisition of land planned to be utilized in the future  
18 for public purposes, the Secretary is authorized to make  
19 grants to States and local public bodies and agencies to assist  
20 in financing the acquisition of a fee simple estate or other  
21 interest in such land.

22           "(b) The amount of any grant made under this section  
23 shall not exceed the aggregate amount of reasonable interest  
24 charges on the loans or other financial obligations incurred to  
25 finance the acquisition of such land for a period not in excess

1 of the lesser of (1) five years from the date of acquisition of  
2 such land or (2) the period of time between the date on  
3 which the land was acquired and the date its use began for  
4 the purpose for which it was acquired: *Provided*, That where  
5 all or any portion of the cost of such land is not financed  
6 through borrowings, the amount of the grant shall be com-  
7 puted on the basis of the aggregate amount of reasonable  
8 interest charges that the Secretary determines would have  
9 been required.

10 “(c) No grant shall be made under this section unless  
11 the Secretary determines that the land will be utilized for  
12 a public purpose within a reasonable period of time and that  
13 such utilization will contribute to economy, efficiency, and  
14 the comprehensively planned development of the area. The  
15 Secretary shall in all cases require that land acquired with  
16 the assistance of a grant under this section be utilized for a  
17 public purpose within five years after the date on which a  
18 contract to make such grant is entered into, unless the  
19 Secretary (1) determines that due to unusual circumstances  
20 a longer period of time is necessary and in the public interest,  
21 and (2) reports such determination promptly to the Com-  
22 mittees on Banking and Currency of the Senate and House  
23 of Representatives.

24 “(d) No land acquired with assistance under this sec-



1 tion shall, without approval of the Secretary, be diverted  
2 from the purpose originally approved. The Secretary shall  
3 approve no such diversion unless he finds that the diversion  
4 is in accord with the then applicable comprehensive plan for  
5 the area. In cases of a diversion of land to other than a pub-  
6 lic purpose, the Secretary may require repayment of the  
7 grant, or substitution of land of approximately equal fair  
8 market value, whichever he deems appropriate. An interim  
9 use of the land for a public or private purpose in accordance  
10 with standards prescribed by the Secretary, or approved by  
11 him, shall not constitute a diversion within the meaning of  
12 this subsection.

13 “(e) Notwithstanding any other provision of law, no  
14 project for which land is acquired with assistance under  
15 this section shall, solely as a result of such advance acquisi-  
16 tion, be considered ineligible for the purpose of any other  
17 Federal loan or grant program, and the amount of the pur-  
18 chase price paid for the land by the recipient of a grant  
19 under this section may be considered an eligible cost for the  
20 purpose of such other Federal loan or grant program.”

21 **WATER AND SEWER FACILITIES PROGRAM**

22 **SEC. 504.** (a) Section 702(c) of the Housing and  
23 Urban Development Act of 1965 is amended by striking out  
24 “July 1, 1968” and inserting in lieu thereof “October 1,  
25 1969”.

(b) Section 702 (b) of such Act is amended—

(1) by inserting after “community” the first time it appears the following: “, or an unincorporated area served by a water district or improvement district,”;

(2) by inserting after “community” each subsequent time it appears the following: “or area”; and

(3) by striking out “a basic public sewer facility” and inserting in lieu thereof “a basic public water or sewer facility”.

(c) Section 702 of such Act is amended by adding at the end thereof a new subsection as follows:

“(d) In the administration of this section the Secretary shall require that, to the greatest extent practicable, new job opportunities be provided for unemployed or underemployed persons in connection with projects the financing of which is assisted under this section.”

**AUTHORIZATIONS FOR THE WATER AND SEWER FACILITIES,  
NEIGHBORHOOD FACILITIES, AND ADVANCE ACQUISITION OF LAND PROGRAMS**

SEC. 505. (a) Section 708 (b) of the Housing and Urban Development Act of 1965 is amended by striking out “July 1, 1969” and inserting in lieu thereof “July 1, 1970”.

(b) Section 708 (a) of such Act is amended by striking out “\$200,000,000 for grants under section 702” and inserting in lieu thereof “\$200,000,000 (or \$500,000,000



1 in the case of any such fiscal year commencing after June 30,  
2 1967) for grants under section 702”.

3 OPEN-SPACE LAND PROGRAM

4 SEC. 506. (a) Section 702 (b) of the Housing Act of  
5 1961 is amended to read as follows:

6 “(b) There are authorized to be appropriated, for the  
7 purpose of making grants under this title, not to exceed  
8 \$310,000,000 prior to July 1, 1969, and not to exceed  
9 \$460,000,000 prior to July 1, 1970. Any amounts appro-  
10 priated under this section shall remain available until ex-  
11 pended.”

12 (b) Section 708 (b) of such Act is amended by striking  
13 out “\$50,000” and inserting in lieu thereof “\$125,000”.

14 AUTHORIZATION TO MAKE FEASIBILITY STUDIES IN THE  
15 PUBLIC WORKS PLANNING ADVANCES PROGRAM

16 SEC. 507. Section 702 (a) of the Housing Act of 1954  
17 is amended by inserting after “to aid in financing the cost of”  
18 the following: “feasibility studies,”.

19 TITLE VI—URBAN MASS TRANSPORTATION

20 GRANT AUTHORIZATIONS

21 SEC. 601. (a) Section 4 (b) of the Urban Mass Trans-  
22 portation Act of 1964 is amended (1) by striking out the  
23 word “and” where it first appears in the first sentence, and  
24 (2) by inserting before the period at the end of the first sen-  
25 tence “; and \$190,000,000 for fiscal year 1970”.

(b) Section 6 (c) of such Act is amended (1) by striking out "\$50,000,000" and inserting in lieu thereof "\$56,000,000", and (2) by inserting at the end thereof the following: "On or after July 1, 1969, the Secretary may make available to finance projects under this section such additional sums out of the grant authorization provided in section 4 (b) as he deems appropriate."

#### DEFINITION OF MASS TRANSPORTATION

SEC. 602. Section 12 (c) (5) of the Urban Mass Transportation Act of 1964 is amended to read as follows:

"(5) the term 'mass transportation' means transportation by bus, rail, or other conveyance, either publicly or privately owned, which provides to the public general or special service (but not including school buses or charter or sightseeing service) on a regular and continuing basis."

#### EXTENSION OF EMERGENCY PROGRAM UNDER THE URBAN MASS TRANSPORTATION ACT

SEC. 603. Section 5 of the Urban Mass Transportation Act of 1964 is amended by striking out "November 1, 1968" and inserting in lieu thereof "October 1, 1969".

#### NON-FEDERAL SHARE OF NET PROJECT COST

SEC. 604. (a) Section 4 (a) of the Urban Mass Transportation Act of 1964 is amended by striking out the last



1 sentence and inserting in lieu thereof the following: "The  
2 remainder of the net project cost shall be provided, in cash,  
3 from sources other than Federal funds. Not more than 50 per  
4 centum of such remainder may be provided from other than  
5 public sources, and any public or private transit system funds  
6 shall be provided solely from undistributed cash surpluses,  
7 replacement or depreciation funds or reserves available in  
8 cash, or new capital; except that in cases of demonstrated  
9 fiscal inability of an applicant actively engaged in preparing  
10 and effectuating a program for a unified or officially coordi-  
11 nated urban transportation system as part of the comprehen-  
12 sively planned development of the urban area, such re-  
13 mainder may be provided from other than public sources. No  
14 refund or reduction of the remainder of the net project cost  
15 shall be made at any time unless there is at the same time a  
16 refund of a proportional amount of the Federal grant."

17 (b) Section 5 of such Act is amended by striking out the  
18 last sentence and inserting in lieu thereof the following: "The  
19 remainder of the net project cost shall be provided, in cash,  
20 from sources other than Federal funds. Not more than 50  
21 per centum of such remainder may be provided from other  
22 than public sources, and any public or private transit system  
23 funds shall be provided solely from undistributed cash sur-  
24 pluses, replacement or depreciation funds or reserves avail-  
25 able in cash, or new capital; except that in cases of demon-

1 strated fiscal inability of an applicant actively engaged in  
2 preparing and effectuating a program for a unified or offi-  
3 cially coordinated urban transportation system as part of  
4 the comprehensively planned development of the urban area,  
5 such remainder may be provided from other than public  
6 sources. No refund or reduction of the remainder of the net  
7 project cost shall be made at any time unless there is at the  
8 same time a refund of a proportional amount of the Federal  
9 grant.”

## 10 TITLE VII—SECONDARY MORTGAGE MARKET

### 11 PURPOSES

12 SEC. 701. The purposes of this title include the partition  
13 of the Federal National Mortgage Association as heretofore  
14 existing into two separate and distinct corporations, each of  
15 which shall have continuity and corporate succession as a  
16 separated portion of the previously existing corporation. One  
17 of such corporations, to be known as Federal National Mort-  
18 gage Association, will be a Government-sponsored private  
19 corporation, will retain the assets and liabilities of the pre-  
20 viously existing corporation accounted for under section 304  
21 of the Federal National Mortgage Association Charter Act,  
22 and will continue to operate the secondary market operations  
23 authorized by such section 304. The other, to be known as  
24 Government National Mortgage Association, will remain in  
25 the Government, will retain the assets and liabilities of the



1 previously existing corporation accounted for under sections  
2 305 and 306 of such Act, and will continue to operate the  
3 special assistance functions and management and liquidating  
4 functions authorized by such sections 305 and 306.

5 AMENDMENTS TO THE FEDERAL NATIONAL MORTGAGE  
6 ASSOCIATION CHARTER ACT

7 SEC. 702. (a) The heading of title III of the National  
8 Housing Act is amended by striking out “FEDERAL NA-  
9 TIONAL MORTGAGE ASSOCIATION” and inserting  
10 in lieu thereof “NATIONAL MORTGAGE ASSOCIA-  
11 TIONS”.

12 (b) Section 301 of such Act is amended—

13 (1) by striking out “in the Federal Government a”;

14 (2) by striking out “facility for” and inserting in  
15 lieu thereof “facilities for”;

16 (3) by striking out “of such facility” and inserting  
17 in lieu thereof “thereof”;

18 (4) by striking out “facility to” and inserting in lieu  
19 thereof “facilities to”; and

20 (5) by striking out “the existing mortgage port-  
21 folio of the Federal National Mortgage Association”  
22 and inserting in lieu thereof “federally owned mortgage  
23 portfolios”.

24 (c) Section 302 (a) of such Act is amended—

1           (1) by inserting “(1)” immediately following  
2       “(a)”;

3           (2) by striking out “(hereinafter referred to as  
4       the ‘Association’)”; and

5           (3) by adding at the end thereof the following  
6       new paragraph:

7       “(2) On the effective date established pursuant to sec-  
8       tion 708 of the Housing and Urban Development Act of  
9       1968, the body corporate described in the foregoing para-  
10      graph shall cease to exist in that form and is hereby parti-  
11      tioned into two separate and distinct bodies corporate, each  
12      of which shall have continuity and corporate succession as a  
13      separated portion of the previously existing body corporate,  
14      as follows:

15       “(A) One of such separated portions shall be a body  
16      corporate without capital stock to be known as Government  
17      National Mortgage Association (hereinafter referred to as  
18      the ‘Association’), which shall be in the Department of  
19      Housing and Urban Development and which shall retain  
20      the assets and liabilities acquired and incurred under sections  
21      305 and 306 prior to such effective date, including any and  
22      all liabilities incurred pursuant to section 302 (c). The Asso-  
23      ciation shall have succession until dissolved by Act of Con-  
24      gress. It shall maintain its principal office in the District of



1 Columbia and shall be deemed, for purposes of venue in civil  
2 actions, to be a resident thereof. Agencies or offices may be  
3 established by the Association in such other place or places  
4 as it may deem necessary or appropriate in the conduct of  
5 its business.

6 “(B) The other such separated portion shall be a body  
7 corporate to be known as Federal National Mortgage Asso-  
8 ciation (hereinafter referred to as the ‘corporation’), which  
9 shall retain the assets and liabilities acquired and incurred  
10 under sections 303 and 304 prior to such effective date. The  
11 corporation shall have succession until dissolved by Act of  
12 Congress. It shall maintain its principal office in the District  
13 of Columbia and shall be deemed, for purposes of venue  
14 in civil actions, to be a resident thereof.”.

15 (d) Section 302 (b) of such Act is amended—

16 (1) by striking out “the Association is authorized”  
17 and inserting in lieu thereof “each of the bodies corporate  
18 named in subsection (a) (2) is authorized”;

19 (2) by striking out “lend (under section 304) on  
20 the security of,”;

21 (3) by inserting immediately before the colon in  
22 the first sentence “; and the corporation is authorized to  
23 lend on the security of any such mortgages and to pur-  
24 chase, sell, or otherwise deal in any securities guaranteed  
25 by the Association under section 306 (g)”; and

1           (4) by striking out “no mortgage may be pur-  
2       chased” and inserting in lieu thereof “the Association  
3       may not purchase any mortgage”.

4       (e) Section 302 (c) (1) of such Act is amended by  
5       striking out “, consistent with section 307,”.

6       (f) Section 302 (c) (2) (C) of such Act is amended to  
7       read as follows:

8           “(C) The Department of Housing and Urban  
9       Development.”.

10       (g) Section 302 (c) (2) of such Act is amended by  
11       striking out “incurred by the Federal National Mortgage”  
12       and inserting in lieu thereof “incurred by the”.

13       (h) The heading of section 303 of such Act is amended  
14       to read as follows: “CAPITALIZATION—FEDERAL NATIONAL  
15       MORTGAGE ASSOCIATION”.

16       (i) Section 303 (a) of such Act is amended—

17           (1) by striking out “nonvoting common stock” and  
18       inserting in lieu thereof “common stock, without par  
19       value, which shall be vested with all voting rights, each  
20       share being entitled to one vote with rights of cumula-  
21       tive voting at all elections of directors”;

22           (2) by striking out “nonvoting preferred stock” and  
23       inserting in lieu thereof “nonvoting preferred stock, with  
24       a par value of \$100 per share,”;

25           (3) by striking out the second and third sentences



1       thereof and inserting in lieu thereof "The free transfera-  
2       bility of the common stock at all times to any person,  
3       firm, corporation, or other entity shall not be restricted  
4       except that, as to the corporation, it shall be transfer-  
5       able only on the books of the corporation.";

6               (4) by striking out "of the capital surplus and the  
7       general surplus accounts";

8               (5) by striking out "retire" and inserting in lieu  
9       thereof "retire, at par,"; and

10              (6) by striking out "the Association shall deem  
11       feasible" and inserting in lieu thereof "possible subse-  
12       quent to the effective date established pursuant to section  
13       708 of the Housing and Urban Development Act of  
14       1968".

15       (j) Section 303 (b) of such Act is amended—

16              (1) by striking out "for its services" and inserting  
17       in lieu thereof ", which may be regarded as elements of  
18       pricing,"; and

19              (2) by striking out the last sentence.

20       (k) Section 303 (c) of such Act is amended—

21              (1) by striking out "(only in denominations of  
22       \$100 or multiples thereof)";

23              (2) by inserting immediately after the first sen-  
24       tence the following: "In addition to the shares of com-  
25       mon stock issued under the foregoing sentence, the corpo-

1 ration may issue additional shares in return for appropri-  
2 ate payments into capital or capital and surplus. The  
3 corporation shall at all times require each servicer of its  
4 mortgages to own a minimum amount of common stock  
5 of the corporation, measured by its stated value. Such  
6 minimum amount shall not exceed 2 per centum, as de-  
7 termined from time to time by the corporation with the  
8 approval of the Secretary of Housing and Urban Devel-  
9 opment, of the aggregate outstanding principal balances  
10 of all mortgages of the corporation which have been  
11 purchased subsequent to the effective date established  
12 pursuant to section 708 of the Housing and Urban  
13 Development Act of 1968 and which are then serviced  
14 by such servicer for the corporation.”; and

15 (3) by striking out “the general surplus account  
16 of the Association shall not be reduced through the pay-  
17 ment of dividends applicable to such common stock  
18 which exceed in the aggregate 5 per centum of the par  
19 value of the outstanding common stock of the Associa-  
20 tion” and inserting in lieu thereof “the aggregate amount  
21 of cash dividends paid on account of any share of such  
22 stock shall not exceed any rate which may be deter-  
23 mined from time to time by the Secretary of Housing  
24 and Urban Development to be a fair rate of return after



1        consideration of the current earnings and capital condi-  
2        tion of the corporation”.

3        (l) Section 303 (d) of such Act is amended by striking  
4        out “\$225,000,000” and inserting in lieu thereof “\$225,-  
5        000,000; but no such stock may be issued subsequent to the  
6        effective date established pursuant to section 708 of the  
7        Housing and Urban Development Act of 1968”.

8        (m) Section 303 (f) of such Act is amended by strik-  
9        ing out “contributions, and” and inserting in lieu thereof  
10       “contributions, to purchase additional shares of such stock,  
11       and”.

12       (n) Section 303 (g) of such Act is repealed.

13       (o) The heading of section 304 of such Act is amended  
14       to read as follows: “SECONDARY MARKET OPERATIONS—FED-  
15       ERAL NATIONAL MORTGAGE ASSOCIATION”.

16       (p) Section 304 (a) (1) of such Act is amended by  
17       striking out “and the Association shall not purchase any  
18       mortgage insured or guaranteed prior to the effective date of  
19       the Housing Act of 1954”.

20       (q) Section 304 (b) of such Act is amended by strik-  
21       ing out “earnings, and in” and inserting in lieu thereof  
22       “earnings unless a greater ratio shall be fixed at any time  
23       or from time to time by its board of directors. In”.

24       (r) Section 304 (c) of such Act is amended by striking

1 out “(1) all of the preferred stock of the Association held  
2 by the Secretary of the Treasury has been retired, or (2)”.

3 (s) Sections 303 and 304 of such Act, as amended by  
4 the foregoing subsections of this section, are further  
5 amended—

6 (1) by striking out “Association” each place it ap-  
7 pears and inserting in lieu thereof, in each such place,  
8 “corporation”; and

9 (2) by striking out “Association’s” each place it  
10 appears and inserting in lieu thereof, in each such place,  
11 “corporation’s”.

12 (t) The heading of section 305 of such Act is amended  
13 to read as follows: “SPECIAL ASSISTANCE FUNCTIONS—  
14 GOVERNMENT NATIONAL MORTGAGE ASSOCIATION”.

15 (u) The heading of section 306 of such Act is amended  
16 to read as follows: “MANAGEMENT AND LIQUIDATING  
17 FUNCTIONS—GOVERNMENT NATIONAL MORTGAGE ASSOCIA-  
18 TION”.

19 (v) Subsections (a) and (b) of section 307 of such  
20 Act are repealed.

21 (w) Section 307 of such Act is further amended—

22 (1) by striking out “SEC. 307.”;

23 (2) by striking out “(c) All of the benefits and



1 burdens incident to the administration of” and inserting  
2 in lieu thereof the following:

3 “SEC. 307. All of the benefits and burdens incident to  
4 the administration of”; and

5 (3) by striking out “board of directors of the Asso-  
6 ciation” and inserting in lieu thereof “Secretary of Hous-  
7 ing and Urban Development”.

8 (x) The heading of section 308 of such Act is amended  
9 to read as follows: “MANAGEMENT”.

10 (y) Section 308 of such Act is amended—

11 (1) by inserting “(a)” immediately following  
12 “308”;

13 (2) by striking out the first two sentences and  
14 inserting in lieu thereof “All the powers and duties of the  
15 Government National Mortgage Association shall be  
16 vested in the Secretary of Housing and Urban Develop-  
17 ment and the Association shall be administered under  
18 the direction of the Secretary.”;

19 (3) by striking out “the board shall determine” and  
20 inserting in lieu thereof “the Secretary shall determine”;

21 (4) by striking out “Association. The chairman of  
22 the board” and inserting in lieu thereof “Association, and  
23 shall have power to adopt, amend, and repeal bylaws  
24 governing the performance of the powers and duties  
25 granted to or imposed upon it by law. The Secretary”;

1           (5) by striking out "by the board of directors," and  
2       inserting in lieu thereof "by the Secretary,";

3           (6) by striking out the last sentence; and

4           (7) by adding at the end thereof the following new  
5       subsection:

6       “(b) The Federal National Mortgage Association shall  
7       have a board of directors which shall consist of fifteen per-  
8       sons, one-third of whom shall be appointed annually by the  
9       President of the United States, and the remainder of whom  
10      shall be elected annually by the common stockholders. The  
11      board shall at all times have as members appointed by the  
12      President at least one person from the homebuilding industry,  
13      at least one person from the mortgage lending industry, and  
14      at least one person from the real estate industry. Each  
15      member of the board of directors shall be appointed or  
16      elected for a term ending on the date of the next annual  
17      meeting of the stockholders, except that any such member  
18      may be removed from office by the President for good cause.  
19      Any elective seat on the board which becomes vacant after  
20      the annual election of the directors shall be filled by the board,  
21      but only for the unexpired portion of the term. Any appoin-  
22      tive seat which becomes vacant shall be filled by appointment  
23      of the President, but only for the unexpired portion of the  
24      term. Within the limitations of law and regulation, the board



1 shall determine the general policies which shall govern the  
2 operations of the corporation, and shall have power to adopt,  
3 amend, and repeal bylaws governing the performance of the  
4 powers and duties granted to or imposed upon it by law. The  
5 board of directors shall select and effect the appointment of  
6 qualified persons to fill the offices of president and vice presi-  
7 dent, and such other offices as may be provided for in the  
8 bylaws. Any member of the board who is a full-time officer  
9 or employee of the Federal Government shall not, as such  
10 member, receive compensation for his services.”

11 (z) Section 309 (a) of such Act is amended—

12 (1) by striking out “The Association” and insert-  
13 ing in lieu thereof “Each of the bodies corporate named  
14 in section 302 (a) (2)”;

15 (2) by striking out “by its board of directors, to  
16 adopt, amend, and repeal bylaws governing the per-  
17 formance of the powers and duties granted to or imposed  
18 upon it by law;”;

19 (3) by striking out “conduct its business” and in-  
20 serting in lieu thereof “conduct its business without re-  
21 gard to any qualification or similar statute”;

22 (4) by striking out “the Association may deem”  
23 and inserting in lieu thereof “it may deem”; and

24 (5) by striking out “the purposes of the Associa-  
25 tion” and inserting in lieu thereof “its purposes”.

1 (aa) Section 309 (c) of such Act is amended—

2 (1) by striking out “(1)”;

3 (2) by striking out “The Association” and insert-  
4 ing in lieu thereof “(1) The Association”;

5 (3) by striking out “, and (2) the Association  
6 shall, with respect to its secondary market operations  
7 under section 304 after the cutoff date referred to in  
8 section 303 (d) of this title, pay annually to the Secre-  
9 tary of the Treasury, for covering into miscellaneous  
10 receipts, an amount equivalent to the amount of Federal  
11 income taxes for which it would be subject if it were not  
12 exempt from such taxes with respect to such secondary  
13 market operations”; and

14 (4) by adding at the end thereof the following new  
15 paragraph:

16 “(2) The corporation, including its franchise, capital,  
17 reserves, surplus, mortgages or other security holdings, and  
18 income, shall be exempt from all taxation now or hereafter  
19 imposed by any State, territory, possession, Commonwealth,  
20 or dependency of the United States, or by the District of Co-  
21 lumbia, or by any county, municipality, or local taxing au-  
22 thority, except that any real property of the corporation shall  
23 be subject to State, territorial, county, municipal, or local  
24 taxation to the same extent as other real property is taxed.”



1 (bb) Section 309 (d) of such Act is amended—

2 (1) by inserting “(1)” immediately following  
3 “(d)”;

4 (2) by striking out “Chairman of the Board” and  
5 inserting in lieu thereof “Secretary of Housing and  
6 Urban Development”;

7 (3) by striking out “agents,” and inserting in lieu  
8 thereof “agents of the Association,”; and

9 (4) by adding at the end thereof the following  
10 new paragraph:

11 “(2) The board of directors of the corporation shall  
12 have the power to select and appoint or employ such  
13 officers, attorneys, employees, and agents, to vest them  
14 with such powers and duties, and to fix and to cause  
15 the corporation to pay such compensation to them for  
16 their services, as it may determine; and any such action  
17 shall be without regard to the Federal civil service and  
18 classification laws. Appointments, promotions, and sep-  
19 arations so made shall be based on merit and efficiency, and  
20 no political test or qualification shall be permitted or given  
21 consideration. Each officer and employee of the corporation  
22 who is employed by the corporation prior to the termination  
23 of the transitional period referred to in section 710 (b) of  
24 the Housing and Urban Development Act of 1968 and who  
25 on the day previous to the beginning of such employment

1 will have been subject to the civil service retirement law  
2 (subch. III of ch. 83 of title 5, United States Code)  
3 shall, so long as his employment by the corporation con-  
4 tinues without a break in continuity of service, continue  
5 to be subject to such law; and for the purpose of such law  
6 his employment by the corporation without a break in con-  
7 tinuity of service shall be deemed to be employment by the  
8 Government of the United States. The corporation shall con-  
9 tribute to the Civil Service Retirement and Disability Fund  
10 a sum as provided by section 8334 (a) of title 5, United  
11 States Code, except that such sum shall be determined by  
12 applying to the total basic pay (as defined in 5 U.S.C.  
13 8331 (3) and except as hereinafter provided) paid to the  
14 employees of the corporation who are covered by the civil  
15 service retirement law, the per centum rate determined an-  
16 nually by the United States Civil Service Commission to be  
17 the excess of the total normal cost per centum rate of the  
18 civil service retirement system over the employee deduction  
19 rate specified in section 8334 (a) of title 5, United States  
20 Code. The corporation shall also pay into the Civil Service  
21 Retirement and Disability Fund such portion of the cost of  
22 administration of the fund as is determined by the United  
23 States Civil Service Commission to be attributable to its  
24 employees. Notwithstanding the foregoing provisions, there



1 shall not be considered for the purposes of the civil service  
2 retirement law that portion of the basic pay in any one year  
3 of any officer or employee of the corporation which exceeds  
4 the basic pay provided for in section 5312 of title 5, United  
5 States Code, on the last day of such year. Except as provided  
6 in this subsection, the corporation shall not be subject to  
7 the provisions of title 5, United States Code.”

8 (cc) Section 309 (e) of such Act is amended—

9 (1) by striking out “body corporate created by  
10 section 302” and inserting in lieu thereof “bodies cor-  
11 porate named in section 302 (a) (2)”;

12 (2) by inserting “, ‘Government National Mort-  
13 gage Association’,” immediately following “‘Federal  
14 National Mortgage Association’”; and

15 (3) by striking out the second sentence and insert-  
16 ing in lieu thereof the following: “Violations of the fore-  
17 going sentence may be enjoined by any court of general  
18 jurisdiction at the suit of the proper body corporate. In  
19 any such suit, the plaintiff may recover any actual dam-  
20 ages flowing from such violation, and, in addition, shall  
21 be entitled to punitive damages (regardless of the exist-  
22 ence or nonexistence of actual damages) of not exceed-  
23 ing \$100 for each day during which such violation is  
24 committed or repeated.”

1       (dd) Section 309 (g) of such Act is amended to read as  
2 follows:

3       “(g) The Federal Reserve banks are authorized and  
4 directed to act as depositaries, custodians, and fiscal agents  
5 for each of the bodies corporate named in section 302 (a)  
6 (2), for its own account or as fiduciary, and such banks shall  
7 be reimbursed for such services in such manner as may be  
8 agreed upon; and each of such bodies corporate may itself act  
9 in such capacities, for its own account or as fiduciary, and for  
10 the account of others.”

11       (ee) Section 309 of such Act is amended by adding  
12 at the end thereof the following new subsection:

13       “(h) The Secretary of Housing and Urban Develop-  
14 ment shall have general regulatory power over the Federal  
15 National Mortgage Association and shall make such rules and  
16 regulations as shall be necessary and proper to insure that  
17 the purposes of this title are accomplished. No stock,  
18 obligation, security, or other instrument shall be issued  
19 by the corporation without the prior approval of the  
20 Secretary. The Secretary may require that a reason-  
21 able portion of the corporation's mortgage purchases be  
22 related to the national goal of providing adequate hous-  
23 ing for low and moderate income families, but with rea-



1 sonable economic return to the corporation. The Secretary  
2 may examine and audit the books and financial transactions of  
3 the corporation, and he may require the corporation to make  
4 such reports on its activities as he deems advisable.”

5 (ff) Section 311 of such Act is amended—

6 (1) by striking out “the Association” and insert-  
7 ing in lieu thereof “either of the bodies corporate named  
8 in section 302 (a) (2)”; and

9 (2) by adding at the end thereof the following: “All  
10 stock, obligations, securities, participations, or other in-  
11 struments issued pursuant to this title shall, to the same  
12 extent as securities which are direct obligations of or ob-  
13 ligations guaranteed as to principal or interest by the  
14 United States, be deemed to be exempt securities within  
15 the meaning of laws administered by the Securities and  
16 Exchange Commission; but all such issuances shall be  
17 made only with the approval of the Secretary of Hous-  
18 ing and Urban Development.”

19 PARTICIPATIONS

20 SEC. 703. Section 302 (c) (5) of the National Housing  
21 Act is amended by inserting at the end thereof the follow-  
22 ing: “In the event that the insufficiency required by the  
23 trustee is on account of principal maturities of outstanding  
24 beneficial interests or participations authorized to be issued  
25 pursuant to paragraph (4) of this subsection, or pursuant

1 hereto, the trustee is authorized to elect to issue additional  
2 beneficial interests or participations for refinancing purposes  
3 in lieu of requiring any trustor or trustors to make pay-  
4 ments to the trustee from appropriated funds or other sources.  
5 Each such issue of beneficial interests or participations  
6 shall be in an amount determined by the trustee but  
7 not in excess of the aggregate amount which the trustee  
8 would otherwise require the trustor or trustors to pay  
9 from appropriated funds or other sources, and may be  
10 issued without regard to the provisions of paragraph (4)  
11 of this subsection. All refinancing issues of beneficial in-  
12 terests or participations shall be deemed to have been issued  
13 pursuant to the authority contained in the appropriation Act  
14 or Acts under which the beneficial interests or participations  
15 were originally issued.”

16 **MORTGAGE-BACKED SECURITIES**

17 SEC. 704. (a) Section 304 of the National Housing Act  
18 is amended by adding at the end thereof the following new  
19 subsection:

20 “(d) To provide a greater degree of liquidity to the  
21 mortgage investment market and an additional means of  
22 financing its operations under this section, the corporation is  
23 authorized to set aside any mortgages held by it under this  
24 section, and, upon approval of the Secretary of the Treasury,  
25 to issue and sell securities based upon the mortgages so set



1 aside. Securities issued under this subsection may be in the  
2 form of debt obligations or trust certificates of beneficial in-  
3 terest, or both. Securities issued under this subsection shall  
4 have such maturities and bear such rate or rates of interest  
5 as may be determined by the corporation with the approval  
6 of the Secretary of the Treasury. Securities issued by the cor-  
7 poration under this subsection shall, to the same extent as  
8 securities which are direct obligations of or obligations guar-  
9 anteed as to principal and interest by the United States, be  
10 deemed to be exempt securities within the meaning of laws  
11 administered by the Securities and Exchange Commission.  
12 Mortgages set aside pursuant to this subsection shall at all  
13 times be adequate to enable the corporation to make timely  
14 principal and interest payments on the securities issued and  
15 sold pursuant to this subsection.”

16 (b) Section 306 of such Act is amended by adding at  
17 the end thereof the following new subsection:

18 “(g) The Association is authorized, upon such terms and  
19 conditions as it may deem appropriate, to guarantee the timely  
20 payment of principal of and interest on such trust certificates  
21 or other securities as shall (1) be issued by the corporation  
22 under section 304 (d), or by any other issuer approved for the  
23 purposes of this subsection by the Association, and (2) be  
24 based on and backed by a trust or pool composed of mortgages  
25 which are insured under the National Housing Act or title V

1 of the Housing Act of 1949, or which are insured or guaran-  
2 teed under the Servicemen's Readjustment Act of 1944 or  
3 chapter 37 of title 38, United States Code. The Association  
4 shall collect from the issuer a reasonable fee for any guaranty  
5 under this subsection and shall make such charges as it may  
6 determine to be reasonable for the analysis of any trust or  
7 other security arrangement proposed by the issuer. In the  
8 event the issuer is unable to make any payment of principal  
9 of or interest on any security guaranteed under this sub-  
10 section, the Association shall make such payment as and  
11 when due in cash, and thereupon shall be subrogated fully  
12 to the rights satisfied by such payment. Any Federal, State,  
13 or other law to the contrary notwithstanding, the Association  
14 is hereby empowered, in connection with any guaranty under  
15 this subsection, whether before or after any default, to pro-  
16 vide by contract with the issuer for the extinguishment, upon  
17 default by the issuer, of any redemption, equitable, legal, or  
18 other right, title, or interest of the issuer in any mortgage  
19 or mortgages constituting the trust or pool against which the  
20 guaranteed securities are issued; and with respect to any  
21 issue of guaranteed securities, in the event of default and  
22 pursuant otherwise to the terms of the contract, the mort-  
23 gages that constitute such trust or pool shall become the  
24 absolute property of the Association subject only to the un-  
25 satisfied rights of the holders of the securities based on and



1 backed by such trust or pool. The full faith and credit of the  
2 United States is pledged to the payment of all amounts  
3 which may be required to be paid under any guaranty under  
4 this subsection. There shall be excluded from the total  
5 amounts set forth in subsection (c) the amounts of any  
6 mortgages acquired by the Association as a result of its  
7 operations under this subsection.”

8 SUBORDINATED AND CONVERTIBLE OBLIGATIONS

9 SEC. 705. Section 304 of the National Housing Act is  
10 amended by adding thereto (after subsection (d) as added  
11 by section 704 of this Act) the following new subsection:

12 “(e) For the purposes of this section, the corporation  
13 is authorized to issue, upon the approval of the Secretary  
14 of the Treasury, obligations which are subordinated to any  
15 or all other obligations of the corporation, including sub-  
16 sequent obligations. The obligations issued under this sub-  
17 section shall have such maturities and bear such rate or  
18 rates of interest as may be determined by the corporation  
19 with the approval of the Secretary of the Treasury and may  
20 be made redeemable at the option of the corporation before  
21 maturity in such manner as may be stipulated in such  
22 obligations. Any of such obligations may be made convert-  
23 ible into shares of common stock in such manner, at such  
24 price or prices, and at such time or times as may be stipulated  
25 therein. The total principal amount of such subordinated

1 obligations which may be outstanding at any one time shall  
2 not exceed two times the sum of (1) the capital of the cor-  
3 poration represented by its outstanding common stock and  
4 (2) its surplus and undistributed earnings at such time. The  
5 outstanding total principal amount of such obligations which  
6 are entirely subordinated to the obligations of the corpora-  
7 tion issued or to be issued under subsection (b) shall be  
8 deemed to be capital of the corporation for the purpose of  
9 determining the aggregate amount of obligations issued  
10 under subsection (b) which may be outstanding at any  
11 one time. Obligations issued by the corporation under this  
12 subsection shall, to the same extent as securities which are  
13 direct obligations of or obligations guaranteed as to principal  
14 or interest by the United States, be deemed to be exempt  
15 securities within the meaning of laws administered by the  
16 Securities and Exchange Commission. The corporation shall  
17 insert appropriate language in all of its obligations issued  
18 under this subsection clearly indicating that such obligations,  
19 together with the interest thereon, are not guaranteed by  
20 the United States and do not constitute a debt or obliga-  
21 tion of the United States or of any agency or instrumen-  
22 tality thereof other than the corporation. The corporation is  
23 authorized to purchase in the open market any of its obli-  
24 gations outstanding under this subsection at any time and at  
25 any price.”



## 1 SPECIAL ASSISTANCE AUTHORIZATION

2 SEC. 706. Section 305 (c) of the National Housing Act  
3 is amended—

4 (1) by striking out “and” after “July 1, 1967,”;  
5 and

6 (2) by striking out the period and inserting in lieu  
7 thereof “, and by \$500,000,000 on July 1, 1969.”

## 8 AMENDMENTS TO OTHER LAWS

9 SEC. 707. (a) Section 306 (b) of the Housing Act of  
10 1959 is amended by striking out “Federal National Mort-  
11 gage Association pursuant” and inserting in lieu thereof  
12 “Government National Mortgage Association pursuant”.

13 (b) Section 312 (d) of the Housing Act of 1964 is  
14 amended by striking out “Federal” and inserting in lieu  
15 thereof “Government”.

16 (c) Section 5 (b) of the Department of Housing and  
17 Urban Development Act is amended—

18 (1) by striking out “The Federal” and inserting  
19 in lieu thereof “The Government”; and

20 (2) by striking out “, and the position of the Presi-  
21 dent of said Association is hereby allocated among the  
22 positions referred to in section 7 (c) hereof”.

23 (d) Section 7 (b) of the Department of Housing and  
24 Urban Development Act is repealed.

25 (e) Section 101 of the Government Corporation Control

1 Act is amended by striking out “Federal National Mortgage  
2 Association” and inserting in lieu thereof “Government Na-  
3 tional Mortgage Association”.

4 (f) Section 13 (4) (F) of the Public Buildings Act  
5 of 1959 is amended by striking out “Federal” and inserting  
6 in lieu thereof “Government”.

7 (g) Section 6 (b) of the Participation Sales Act of  
8 1966 is amended by striking out “secondary market opera-  
9 tions carried on by the Federal” and inserting in lieu thereof  
10 “the Government”.

11 (h) Section 1820 (e) of title 38, United States Code, is  
12 amended by striking out “Federal National” in three places  
13 and inserting in lieu thereof, in each such place, “Govern-  
14 ment National”.

15 (i) Section 709 of title 18, United States Code, is  
16 amended by striking out “Federal National Mortgage As-  
17 sociation” each place it appears and inserting in lieu thereof,  
18 in each such place, “Government National Mortgage As-  
19 sociation”.

20 (j) Section 5136 of the Revised Statutes is amended  
21 by inserting “or the Government National Mortgage Asso-  
22 ciation” immediately following “Federal National Mortgage  
23 Association”.

24 (k) Section 11 (h) of the Federal Home Loan Bank



1 Act is amended by inserting “or the Government National  
2 Mortgage Association, in the stock of the Federal National  
3 Mortgage Association” immediately following “Federal Na-  
4 tional Mortgage Association”.

5 (l) Section 16 of the Federal Home Loan Bank Act is  
6 amended by inserting “or the Government National Mortgage  
7 Association” immediately following “Federal National Mort-  
8 gage Association”.

9 (m) Section 5 (c) of the Home Owners’ Loan Act of  
10 1933 is amended by inserting “or the Government National  
11 Mortgage Association,” immediately following “Federal Na-  
12 tional Mortgage Association” and by inserting “or the stock  
13 of the Federal National Mortgage Association” immediately  
14 after “any other agency of the United States”.

15 (n) Section 8 (8) (E) of the Federal Credit Union Act  
16 is amended by inserting “or the Government National Mort-  
17 gage Association” immediately following “Federal National  
18 Mortgage Association”.

19 **EFFECTIVE DATE**

20 SEC. 708. The amendments made by this title shall be  
21 effective from and after a date, no more than one hundred  
22 and twenty days following the date of enactment of this  
23 Act, as established by the Secretary of Housing and Urban  
24 Development. Notice of the establishment of such effective

1 date shall be published in the Federal Register at least thirty  
2 days prior thereto.

3 SAVINGS PROVISIONS

4 SEC. 709. (a) No cause of action by or against the  
5 Federal National Mortgage Association existing prior to the  
6 effective date established pursuant to section 708 shall abate  
7 by reason of the enactment of this title. Any such cause of  
8 action may thereafter be asserted by or against the appro-  
9 priate corporate body named in section 302 (a) (2) of the  
10 National Housing Act.

11 (b) No suit, action, or other proceeding commenced  
12 by or against the Federal National Mortgage Association,  
13 or any officer thereof in his official capacity, prior to the  
14 effective date established pursuant to section 708 shall abate  
15 by reason of the enactment of this title. A court may at  
16 any time thereafter during the pendency of any such litiga-  
17 tion, on its own motion or that of any party, order that the  
18 litigation may be maintained by or against the appropriate  
19 corporate body named in section 302 (a) (2) of the Na-  
20 tional Housing Act or the appropriate corresponding officer  
21 thereof.

22 TRANSITIONAL PROVISIONS

23 SEC. 710. (a) On the effective date established pursuant  
24 to section 708 of this Act, each share of outstanding non-



1 voting common stock, with a par value of \$100 per share,  
2 of the Federal National Mortgage Association shall be  
3 changed into and shall become one share of voting common  
4 stock, without par value, of such corporation.

5 (b) (1) The provisions of section 308 (b) of the Na-  
6 tional Housing Act (is added by section 702 (y) (7) of  
7 this Act) shall be applicable only to the extent that its  
8 provisions do not conflict with this subsection.

9 (2) For a transitional period after the effective date  
10 established pursuant to section 708 of this Act, the board of  
11 directors of the Federal National Mortgage Association shall  
12 consist of nine persons. For a term expiring on the date of  
13 the first annual meeting of the corporation's stockholders, all  
14 members of the board shall be appointed by the Secretary  
15 of Housing and Urban Development. For a term beginning  
16 on such date, seven members of the board shall be appointed  
17 by the Secretary, and two members shall be elected by the  
18 common stockholders. For subsequent terms beginning prior  
19 to the termination of the transitional period, five members  
20 shall be appointed by the Secretary, and four members shall  
21 be elected by the common stockholders. For each term be-  
22 ginning prior to the termination of the transitional period,  
23 the Secretary shall appoint as a member of the board the

1 president of the corporation. During the transitional period,  
2 the president of the corporation shall be appointed by the  
3 President, by and with the advice and consent of the Senate,  
4 and may be removed from office by the President for good  
5 cause.

6 (3) The transitional period referred to in paragraph  
7 (2) shall come to an end at such time as the board of di-  
8 rectors shall find, with the approval of the Secretary, that  
9 not less than one-third of the corporation's common stock  
10 is owned by persons or institutions in the mortgage lending,  
11 homebuilding, real estate, or related businesses; but in no  
12 event shall it end sooner than May 1, 1970, or later than  
13 May 1, 1973.

14 (c) From the effective date established pursuant to sec-  
15 tion 708 and until the retirement of the last of the outstand-  
16 ing shares of its preferred stock, the Federal National Mort-  
17 gage Association shall be deemed to be a wholly owned  
18 corporation for the purposes of the Government Corporation  
19 Control Act. Notwithstanding the foregoing provisions of this  
20 paragraph, the financial transactions of the Federal National  
21 Mortgage Association shall continue to be subject to audit by  
22 the General Accounting Office for such period as there may



1 be outstanding obligations of the Federal National Mortgage  
2 Association which are guaranteed as to principal or interest  
3 by the Government National Mortgage Association.

4 (d) Those persons who are the officers and employees  
5 of the Federal National Mortgage Association immediately  
6 prior to the effective date established pursuant to section  
7 708 shall become the officers and employees of the Govern-  
8 ment National Mortgage Association on such date. The  
9 Federal National Mortgage Association and the Government  
10 National Mortgage Association shall provide by contract for  
11 the conditions and methods under which and by which the  
12 Federal National Mortgage Association during the transi-  
13 tional period may employ those individuals who are em-  
14 ployees of the Government National Mortgage Association  
15 on such effective date; and may provide by contract for the  
16 operation by either of such corporations of any of the func-  
17 tions of the other. The Secretary of Housing and Urban  
18 Development shall make every reasonable effort to place in  
19 other comparable Federal positions any individuals who are  
20 career or career-conditional employees of the Government  
21 National Mortgage Association on such effective date and  
22 who are subsequently during the transitional period neither  
23 employed by the Federal National Mortgage Association nor  
24 retained by the Government National Mortgage Association.

## 1 TITLE VIII—NATIONAL HOUSING

## 2 PARTNERSHIPS

## 3 STATEMENT OF PURPOSE

4 SEC. 801. The Congress finds that the volume of  
5 housing being produced for families and individuals of low  
6 or moderate income must be increased to meet the national  
7 goal of a decent home and a suitable living environment for  
8 every American family, and declares that it is the policy of  
9 the United States to encourage the widest possible partici-  
10 pation by private enterprise in the provision of housing for  
11 low or moderate income families. The Congress has there-  
12 fore determined that one or more private organizations should  
13 be created to encourage maximum participation by private  
14 investors in programs and projects to provide low and mod-  
15 erate income housing.

## 16 CREATION OF CORPORATIONS

17 SEC. 802. (a) There is hereby authorized to be created  
18 a private corporation for profit (hereinafter in this title  
19 referred to as the "corporation"). The corporation will not  
20 be an agency or establishment of the United States Govern-  
21 ment. The corporation shall be subject to the provisions of  
22 this title and, to the extent consistent with this title, to the  
23 District of Columbia Business Corporation Act (D.C. Code,  
24 sec. 29-901 et seq.).



1       (b) Whenever the President finds it in the national  
2 interest to do so, he may cause the creation of an additional  
3 corporation or additional corporations to carry out the pur-  
4 poses of this title. All the provisions of this title shall there-  
5 upon become applicable to each such corporation, and to the  
6 limited partnership formed by it pursuant to section 807.

7       (c) Nothing in this title shall be construed to preclude  
8 private persons from creating other corporations and organiz-  
9 ing other partnerships, joint ventures, or associations for the  
10 purposes set forth in this title as the purposes of the corpora-  
11 tion and the partnership described in section 807.

12                                   PROCESS OF ORGANIZATION

13       SEC. 803. (a) The President of the United States shall  
14 appoint, by and with the advice and consent of the Senate,  
15 incorporators of the corporation, one of whom shall be desig-  
16 nated by the President to serve as chairman. The incorpora-  
17 tors shall serve as the initial board of directors until the first  
18 annual meeting of stockholders or until their successors are  
19 elected and have qualified.

20       (b) The incorporators shall take whatever actions are  
21 necessary or appropriate to establish the corporation, includ-  
22 ing the filing of articles of incorporation as approved by the  
23 President.

24       (c) The incorporators shall also arrange for an initial  
25 offering of shares of stock in the corporation and of interests

1 in the partnership described in section 807 of this title. If the  
2 incorporators deem it advisable in order to carry out the pur-  
3 poses of this title, the initial offering may be made upon  
4 terms which require the purchase of other securities of the  
5 corporation or of interests in such partnership.

#### 6 DIRECTORS

7 SEC. 804. The corporation shall have a board of di-  
8 rectors (hereinafter in this section referred to as the  
9 "board"), consisting of fifteen members. Three members of  
10 the board shall be appointed by the President of the United  
11 States, by and with the advice and consent of the Senate,  
12 effective on the date on which the other members are elected,  
13 and for terms of three years or until their successors have  
14 been appointed and have qualified, except that the first three  
15 members of the board so appointed shall continue in office  
16 for terms of one, two, and three years, respectively, and any  
17 member so appointed to fill a vacancy shall be appointed  
18 only for the unexpired term of the director whom he suc-  
19 ceeds. Twelve members of the board shall be elected by the  
20 stockholders.

#### 21 FINANCING THE CORPORATION

22 SEC. 805. The corporation shall have the power to  
23 create and issue the number of shares stated in its articles  
24 of incorporation. Such shares may be divided into one or



1 more classes, any or all of which classes may consist of  
2 shares with par value or shares without par value, with such  
3 designations, preferences, voting powers, and special or rela-  
4 tive rights and such limitations, restrictions, or qualifications  
5 thereof as shall be stated in the articles of incorporation.  
6 The articles of incorporation may limit or deny the voting  
7 power of the shares of any class.

8 PURPOSES AND POWERS OF THE CORPORATION

9 SEC. 806. (a) In order to achieve the objectives and  
10 carry out the purposes of this title, the corporation is  
11 authorized to—

12 (1) plan, initiate, and carry out, pursuant to Fed-  
13 eral programs or otherwise, the building or rehabilita-  
14 tion of housing and related facilities primarily for the  
15 benefit of families and individuals of low or moderate  
16 income;

17 (2) buy, own, manage, lease, or otherwise acquire  
18 or dispose of property in connection with the develop-  
19 ments, projects, or undertakings referred to in paragraph  
20 (1); and

21 (3) provide such funds as may be necessary to  
22 accomplish the developments, projects, or undertakings  
23 referred to in paragraph (1).

24 (b) Included in the activities authorized to the corpora-  
25 tion for the accomplishment of the purposes indicated in

1 subsection (a) of this section are, among others not spe-  
2 cifically named—

3           (1) to enter into partnerships, limited partnerships,  
4 joint ventures, and other associations with individuals,  
5 corporations, and private and governmental agencies,  
6 organizations, and institutions;

7           (2) to act as manager or general partner of any  
8 such partnership, venture, or association;

9           (3) to conduct or contract for research and studies  
10 related to the development, demonstration, and evalua-  
11 tion of improved techniques and methods of constructing,  
12 rehabilitating, and maintaining housing;

13           (4) to provide technical assistance to nonprofit  
14 corporations, limited dividend corporations, and others  
15 with respect to the planning, financing, construction,  
16 rehabilitation, maintenance, and management of housing  
17 for low and moderate income families and individuals;

18           (5) to make loans or grants, including grants of  
19 interests in housing and related facilities, to nonprofit  
20 corporations, limited dividend corporations, and others,  
21 in carrying out its activities under subsection (a) of this  
22 section; and

23           (6) to hire or accept the voluntary services of con-  
24 sultants, experts, advisory boards, and panels to aid the  
25 corporation in carrying out the purposes of this title.



1       (c) To carry out the foregoing purposes and engage in  
2 the foregoing activities, the corporation shall have the usual  
3 powers conferred upon a stock corporation by the District of  
4 Columbia Business Corporation Act.

5       (d) Nothing in this title shall have the effect of waiving  
6 or otherwise affecting the applicability of the provisions  
7 of the Davis-Bacon Act (40 U.S.C. 267a—276a-5), or any  
8 other law requiring compliance with labor standards, in the  
9 case of any construction to which such provisions would  
10 otherwise apply.

11                   NATIONAL HOUSING PARTNERSHIP

12       SEC. 807. (a) The corporation is authorized to arrange  
13 for the formation, as a separate organization, of a limited  
14 partnership (hereinafter in this title referred to as the “part-  
15 nership”) under the District of Columbia Uniform Limited  
16 Partnership Act (D.C. Code, sec. 41-401 et seq.) for the  
17 purpose of engaging in any of the activities authorized for  
18 the corporation under section 906 of this title, and to enter  
19 into a partnership agreement governing the affairs of such  
20 limited partnership.

21       (b) The partnership shall be subject to the provisions,  
22 to the extent consistent with this title, of (1) the District of  
23 Columbia Uniform Limited Partnership Act and (2) those  
24 provisions of the District of Columbia Uniform Partnership  
25 Act (D.C. Code, sec. 41-301 et seq.) made applicable by

1 section 6 (2) of that Act (D.C. Code, sec. 41-305 (2) ). Not-  
2 withstanding any inconsistency between the provisions of  
3 such Acts, or of any other law, and the provisions of this  
4 section, the partnership organized pursuant to this section  
5 shall be deemed to have the legal status of a limited partner-  
6 ship.

7 (c) The partnership is authorized to enter into partner-  
8 ships, limited partnerships, or joint ventures organized under  
9 applicable State or local law for the purpose of engaging in  
10 low and moderate income housing developments, projects, or  
11 undertakings in particular localities.

12 (d) The corporation shall be the general partner in the  
13 partnership. The capital of the partnership and the contri-  
14 butions of the partners shall be in such amounts and at such  
15 times as are set forth in or pursuant to the partnership  
16 agreement.

17 (e) The partnership agreement shall include provi-  
18 sions designed to assure that (1) the partnership shall par-  
19 ticipate in low and moderate income housing developments,  
20 projects, or undertakings in a manner designed to encourage  
21 the participation therein of local interests, and (2) in any  
22 such development, project, or undertaking the partnership  
23 shall not subscribe to more than 25 per centum (including  
24 equity investments made in services or property) of the  
25 aggregate initial equity investment unless, in the judgment



1 of the corporation as general partner, the balance of the  
2 required equity investment is not readily obtainable from  
3 other responsible investors residing or doing business in the  
4 local community.

5 (f) The partnership agreement may without limita-  
6 tion (1) permit each of the stockholders of the corporation  
7 to become a member of the partnership as a limited partner,  
8 (2) authorize the inclusion of other limited partners in ad-  
9 dition to the stockholders of the corporation, (3) provide  
10 that the assignee of the partnership interest of a limited  
11 partner of the partnership who is also a stockholder of the  
12 corporation may not become a substituted limited partner  
13 unless he also acquires the assignor's stock of the corporation,  
14 and (4) include provisions requiring that the corporation  
15 as a general partner approve the substitution or addition  
16 of a member of the partnership.

17 (g) A corporation which is a limited partner in the  
18 partnership shall not become liable as a general partner by  
19 reason of the fact that (1) such corporation is a holder of  
20 shares of voting stock of the corporation constituting not  
21 more than 5 per centum of the total number of outstanding  
22 shares of such stock and exercises any of the rights (including  
23 voting rights) of a holder of such shares, and/or (2) a per-  
24 son who is an officer or director of such corporation (or of  
25 another corporation which controls or is subject to the con-

1 trol of, or is under common control with, such corporation)  
2 is a director of the corporation and performs the duties of  
3 that office. The interest of a limited partner in the partnership  
4 shall not be treated as a stock interest in the corporation,  
5 notwithstanding that such interest of a limited partner may  
6 be proportionate to his stock interest in the corporation.

7 (h) The certificate of the partnership and any amend-  
8 ment thereof required by the District of Columbia Uniform  
9 Limited Partnership Act shall be executed and acknowledged  
10 by the corporation as member and by each other member  
11 of the partnership or his attorney-in-fact duly authorized by  
12 power of attorney in writing. The corporation may execute  
13 and acknowledge the certificate and any amendment thereof  
14 as attorney-in-fact for any member, member to be substi-  
15 tuted or added, or assigning member, by whom the certificate  
16 or amendment is required to be executed and acknowledged  
17 and who has appointed the corporation as such attorney.

18 REPORT TO CONGRESS AND RECORDS

19 SEC. 808. (a) The corporation shall submit an annual  
20 report to the President for transmittal to the Congress within  
21 six months after the end of its fiscal year. The report shall  
22 include a comprehensive and detailed report of the opera-  
23 tions, activities, and financial condition of the corporation  
24 and the partnership under this title.

25 (b) The accounts of the corporation and of the part-



1 nership shall be audited annually in accordance with gener-  
2 ally accepted auditing standards by independent certified  
3 public accountants or independent licensed public accountants  
4 certified or licensed by a regulatory authority of a State or  
5 other political subdivision of the United States.

6 ANTITRUST LAWS

7 SEC. 809. Nothing contained herein shall affect the ap-  
8 plicability of the Federal antitrust laws to the activities of the  
9 corporation and the partnership created under this title and  
10 of the persons participating therein or in partnerships, limited  
11 partnerships, or joint ventures with either of them.

12 RIGHT TO REPEAL, ALTER, OR AMEND

13 SEC. 810. The right to repeal, alter, or amend this title  
14 at any time is expressly reserved.

15 AMENDMENT TO BANKING LAWS

16 SEC. 811. Paragraph "Seventh" of section 5136 of  
17 the Revised Statutes (12 U.S.C. 24) is amended by  
18 adding at the end thereof the following: "Notwithstand-  
19 ing any other provision in this paragraph, the association  
20 may purchase for its own account shares of stock issued by  
21 a corporation authorized to be created pursuant to title VIII  
22 of the Housing and Urban Development Act of 1968, and  
23 may make investments in a partnership, limited partnership,  
24 or joint venture formed pursuant to section 807(a) or  
25 807(c) of that Act."

## 1 TITLE IX—RURAL HOUSING

2 HOUSING FOR LOW AND MODERATE INCOME PERSONS AND  
3 FAMILIES

4 SEC. 901. Title V of the Housing Act of 1949 is  
5 amended by adding at the end thereof the following new  
6 section:

7 “LOANS TO PROVIDE OCCUPANT-OWNED, RENTAL, AND CO-  
8 OPERATIVE HOUSING FOR LOW AND MODERATE INCOME  
9 PERSONS AND FAMILIES

10 “SEC. 521. (a) Notwithstanding the provisions of sec-  
11 tions 502, 517 (a), and 515, loans to persons of low or  
12 moderate income under section 502 or 517 (a) (1), and  
13 loans under section 515 to provide rental or cooperative  
14 housing and related facilities for persons and families of  
15 low or moderate income or elderly persons and elderly  
16 families, shall bear interest at a rate prescribed by the  
17 Secretary at not less than a rate determined by the Secre-  
18 tary of the Treasury taking into consideration the current  
19 average market yield on outstanding marketable obligations  
20 of the United States with remaining periods to maturity  
21 comparable to the average maturities of such loans, adjusted  
22 to the nearest one-eighth of 1 per centum, less not to exceed  
23 the difference between the adjusted rate determined by the  
24 Secretary of the Treasury and 1 per centum per annum:



1 *Provided*, That such a loan may be made only when the  
2 Secretary determines that the needs of the applicant for  
3 necessary housing cannot be met with financial assistance  
4 from other sources including assistance under section 235  
5 or 236 of the National Housing Act: *Provided further*, That  
6 interest on loans under section 502 or 517 (a) to victims  
7 of natural disasters shall not exceed the rate which would  
8 be applicable to such loans under section 502 without regard  
9 to this section.

10 “(b) Housing and related facilities provided with loans  
11 described in subsection (a) shall be located in rural areas;  
12 and applicants eligible for such loans under section 502 or  
13 517 (a) (1), or for occupancy of housing provided with  
14 such loans under section 515, shall include otherwise quali-  
15 fied nonrural residents who will become rural residents.

16 “(c) There shall be reimbursed to the Rural Housing  
17 Insurance Fund by annual appropriations the amounts by  
18 which nonprincipal payments made from the fund during  
19 each fiscal year to the holders of insured loans described in  
20 subsection (a) exceed interest due from the borrowers dur-  
21 ing each year; and the Secretary from time to time may  
22 issue notes to the Secretary of the Treasury under section  
23 517 (h) to obtain amounts equal to such unreimbursed excess  
24 payments, pending the annual reimbursement by appro-  
25 priation.”

## HOUSING FOR RURAL TRAINEES

SEC. 902. Title V of the Housing Act of 1949 is amended by adding after section 521 (as added by section 901 of this Act) the following new section:

## “HOUSING FOR RURAL TRAINEES

“SEC. 522. (a) Upon the application of any State or political subdivision thereof, or any public or private non-profit organization, the Secretary is authorized, after consultation with the Secretary of Labor, the Secretary of Health, Education, and Welfare, the Secretary of Housing and Urban Development, and the Director of the Office of Economic Opportunity, and after the Secretary determines that the housing and related facilities cannot reasonably be provided in any other way, to provide financial and technical assistance for the establishment, in rural areas, of housing and related facilities for trainees and their families who are residents of a rural area and have a rural background, while such trainees are enrolled and participating in training courses designed to improve their employment capability. The selection of training sites and location of housing shall be made with due regard to the economic viability of the area, and only after consideration of a labor area survey and full coordination among all Government agencies having primary responsibility for administering related programs.



1       “(b) Housing and related facilities assisted under this  
2 section shall be safe and sanitary, constructed in the most eco-  
3 nomical manner, and of modest design, giving due consid-  
4 eration to the purposes to be served and the needs of the  
5 occupants, and may, in the discretion of the Secretary, in-  
6 clude mobile family quarters. Design and location shall be  
7 such as to facilitate, as feasible, the use of such housing and  
8 related facilities for other purposes when no longer needed for  
9 the primary purpose.

10       “(c) The applicant shall contribute the necessary land,  
11 or funds to acquire such land, from its own resources, includ-  
12 ing land acquired by donation or from funds repayable under  
13 subsection (e) or borrowed from other sources.

14       “(d) No financial assistance shall be made available  
15 under this section unless, to the extent and for the periods  
16 required by the Secretary, the applicant agrees that—

17               “(1) such housing will be maintained at all times  
18 in a safe and sanitary condition in accordance with stand-  
19 ards prescribed by State or local law, or, in the absence  
20 of such standards, with requirements prescribed by the  
21 Secretary;

22               “(2) priority shall be given at all times, in grant-  
23 ing occupancy of such housing and facilities, to the  
24 trainees and their families described in subsection (a);  
25 and

1           “(3) rentals charged them shall not exceed amounts  
2       approved by the Secretary after considering the portion  
3       of the actual total family income which the family can  
4       afford to pay for rent while meeting its other immedi-  
5       ate needs during occupancy.

6           “(e) The Secretary may make advances pursuant to  
7       any contract for financial assistance under this section at such  
8       times and in such manner as may be specified in the contract.  
9       Such advances for the purchase of land shall be repayable  
10      with interest and within a period not to exceed thirty-three  
11      years and may be made upon such security, if any, as the  
12      Secretary requires. Advances for other purposes may be  
13      made repayable with or without interest or nonrepayable, as  
14      determined by the Secretary on the basis of the anticipated  
15      income and cost of operation of the housing and related facili-  
16      ties and the ability of each applicant to finance such facilities.  
17      Any advances shall be limited to cover the capital costs of  
18      constructing such facilities, plus interest on borrowings to  
19      cover such costs.

20          “(f) Should housing and related facilities assisted pur-  
21      suant to a contract under this section be sold to an ineligible  
22      transferee or diverted to a use other than its primary purpose  
23      within a period specified in the contract, all advances made  
24      under such contract shall be repaid to the Secretary, up to the  
25      amount of the sales price or the fair value of the property as



1 determined by the Secretary, whichever is higher, with inter-  
2 est from the date of the sale or diversion. If no suitable alter-  
3 nate use of the property is available, as determined by the  
4 Secretary, after the purpose of this section can no longer be  
5 served, the property shall be returned to its original condition  
6 by the recipient of the assistance.

7 “(g) Interest charged on advances made under this sec-  
8 tion shall be at a rate, prescribed by the Secretary, which  
9 shall be not less than a rate determined by the Secretary of  
10 the Treasury taking into consideration the current average  
11 market yield on outstanding marketable obligations of the  
12 United States with remaining periods to maturity comparable  
13 to the average maturities of such loans, adjusted to the near-  
14 est one-eighth of 1 per centum, less not to exceed the differ-  
15 ence between the adjusted rate determined by the Secretary  
16 of the Treasury and 1 per centum per annum, as determined  
17 by the Secretary.

18 “(h) The Secretary shall prescribe regulations to insure  
19 that Federal funds expended under this section are not  
20 wasted or dissipated.

21 “(i) As used in this section (1) the term ‘related  
22 facilities’ shall include any necessary community rooms or  
23 buildings, infirmaries, utilities, access roads, water and sewer  
24 services, and the minimum fixed or movable equipment de-  
25 termined by the Secretary to be necessary to make the

1 housing reasonably habitable by trainees and their families;  
2 and (2) the term 'trainee' means any person receiving train-  
3 ing under any federally assisted training program.

4 " (j) All laborers and mechanics employed in connec-  
5 tion with the provision of housing and related facilities as-  
6 sisted under this section, where such housing includes 8 or  
7 more dwelling units, shall be paid wages at rates not less  
8 than those prevailing on similar construction in the locality  
9 as determined by the Secretary of Labor in accordance with  
10 the Davis-Bacon Act, as amended (40 U.S.C. 276a—  
11 276a-5) ; and no assistance shall be extended under this sec-  
12 tion with respect to such housing and the related facilities  
13 without first obtaining adequate assurance that these labor  
14 standards will be maintained upon the construction work  
15 involved. The Secretary of Labor shall have, with respect to  
16 the labor standards specified in this subsection, the authority  
17 and functions set forth in Reorganization Plan Numbered 14  
18 of 1950 (64 Stat. 1267) and section 2 of the Act of June  
19 13, 1934 (40 U.S.C. 276c).

20 " (k) There are authorized to be appropriated such sums  
21 as may be necessary to carry out this section."

#### 22 APPROPRIATIONS

23 SEC. 903. Section 513 of the Housing Act of 1949 is  
24 amended—



1           (1) by striking out “and (e)” and inserting in lieu  
2 thereof “(e)”; and

3           (2) by inserting before the period at the end thereof  
4 the following: “; and (f) such sums as may be required  
5 by the Secretary to administer the provisions of sections  
6 235 and 236 of the National Housing Act”.

7           PURCHASE OF LAND FOR BUILDING SITES

8       SEC. 904. Section 514 (f) (2) of the Housing Act of  
9 1949 is amended—

10           (1) by striking out “and” before “(B)”, and

11           (2) by inserting before the semicolon at the end  
12 thereof the following: “and (C) land necessary for an  
13 adequate site”.

14           MUTUAL AND SELF-HELP HOUSING

15       SEC. 905. Title V of the Housing Act of 1949 is  
16 amended by adding after section 522 (as added by section  
17 902 of this Act) the following new section:

18           “MUTUAL AND SELF-HELP HOUSING

19       “SEC. 523. (a) The purposes of this section are (1)  
20 to make financial assistance available on reasonable terms  
21 and conditions in rural areas and small towns to needy low-  
22 income individuals and their families who, with the benefit  
23 of technical assistance and overall guidance and supervision,  
24 participate in approved programs of mutual or self-help  
25 housing by acquiring and developing necessary land, ac-

1 quiring building materials, providing their own labor, and  
2 working cooperatively with others for the provision of de-  
3 cent, safe, and sanitary dwellings for themselves, their fam-  
4 ilies, and others in the area or town involved, and (2) to  
5 facilitate the efforts of both public and private nonprofit  
6 organizations providing assistance to such individuals to  
7 contribute their technical and supervisory skills toward more  
8 effective and comprehensive programs of mutual or self-  
9 help housing in rural areas and small towns wherever  
10 necessary.

11 “(b) In order to carry out the purposes of this section,  
12 the Secretary of Agriculture (in this section referred to as  
13 the “Secretary”) is authorized—

14 “(1) to make grants to, or contract with, public or  
15 private nonprofit corporations, agencies, institutions,  
16 organizations, and other associations approved by him, to  
17 pay part or all of the costs of developing, conducting,  
18 administering, or coordinating effective and compre-  
19 hensive programs of technical and supervisory assistance  
20 which will aid needy low-income individuals and their  
21 families in carrying out mutual or self-help housing  
22 efforts;

23 “(2) to make loans, on such terms and conditions  
24 and in such amounts as he deems necessary, to needy



1 low-income individuals participating in programs of  
2 mutual or self-help housing approved by him, for the  
3 acquisition and development of land and for the purchase  
4 of such other building materials as may be necessary in  
5 order to enable them, by providing substantially all of  
6 their own labor, and by cooperating with others partici-  
7 pating in such programs, to carry out to completion the  
8 construction of decent, safe, and sanitary dwellings for  
9 such individuals and their families, subject to the follow-  
10 ing limitations:

11 “(A) there is reasonable assurance of repay-  
12 ment of the loan;

13 “(B) the amount of the loan, together with  
14 other funds which may be available, is adequate to  
15 achieve the purpose for which the loan is made;

16 “(C) the credit assistance is not otherwise  
17 available on like terms or conditions from private  
18 sources or through other Federal, State, or local pro-  
19 grams;

20 “(D) the loan bears interest at a rate not to ex-  
21 ceed 3 per centum per annum on the unpaid balance  
22 of principal, plus such additional charge, if any,  
23 toward covering other costs of the loan program as  
24 the Secretary may determine to be consistent with  
25 its purposes; and

1           “(E) the loan is repayable within not more  
2           than thirty-three years.

3           “(c) In determining whether to extend financial assist-  
4           ance under paragraph (1) or (2) of subsection (b), the  
5           Secretary shall take into consideration, among other factors,  
6           the suitability of the area within which construction will be  
7           carried out to the type of dwelling which can be provided  
8           under mutual or self-help housing programs, the extent to  
9           which the assistance will facilitate the provision of more  
10          decent, safe, and sanitary housing conditions than presently  
11          exist in the area, the extent to which the assistance will be  
12          utilized efficiently and expeditiously, the extent to which the  
13          assistance will effect an increase in the standard of living of  
14          low-income individuals participating in the mutual or self-  
15          help housing program, and whether the assistance will fulfill  
16          a need in the area which is not otherwise being met through  
17          other programs, including those carried out by other Federal,  
18          State, or local agencies.

19          “(d) As used in this section, the term ‘construction’ in-  
20          cludes the erection of new dwellings, and the rehabilitation,  
21          alteration, conversion, or improvement of existing structures.

22          “(e) The Secretary is authorized to establish appropri-  
23          ate criteria and procedures in order to determine the eligibil-  
24          ity of applicants for the financial assistance provided under  
25          this section, including criteria and procedures with respect to



1 the periodic review of any construction carried out with such  
2 financial assistance.

3 “(f) There are hereby authorized to be appropriated for  
4 each fiscal year commencing after June 30, 1968, and ending  
5 prior to July 1, 1973, such sums, not in excess of \$5,000,000  
6 for any such fiscal year, as may be necessary to carry out the  
7 provisions of this section. No grant or loan may be made or  
8 contract entered into under the authority of this section after  
9 June 30, 1973, except pursuant to a commitment or other  
10 obligation entered into pursuant to this section before that  
11 date.”

12 TITLE X—URBAN PROPERTY PROTECTION  
13 AND REINSURANCE

14 SHORT TITLE

15 SEC. 1001. This title may be cited as the “Urban Prop-  
16 erty Protection and Reinsurance Act of 1968.”

17 FINDINGS AND DECLARATION OF PURPOSE

18 SEC. 1002. (a) The Congress finds that (1) the vitality  
19 of many American cities is being threatened by the deteriora-  
20 tion of their inner city areas; responsible owners of well-  
21 maintained residential, business, and other properties in many  
22 of these areas are unable to obtain adequate property insur-  
23 ance coverage against fire, crime, and other perils; the lack  
24 of such insurance coverage accelerates the deterioration of  
25 these areas by discouraging private investment and restrict-

1 ing the availability of credit to repair and improve property  
2 therein; and this deterioration poses a serious threat to the  
3 national economy; (2) recent riots and other civil commo-  
4 tion in many American cities have brought about abnormally  
5 high losses to the private property insurance industry for  
6 which adequate reinsurance cannot be obtained at reasonable  
7 cost, and the risk of such losses will make most lines of prop-  
8 erty insurance even more difficult to obtain; (3) the capacity  
9 of the private property insurance industry to provide ade-  
10 quate insurance is threatened, and the continuity of such  
11 property insurance protection is essential to the extension  
12 of credit in these areas; and (4) the national interest  
13 demands urgent action by the Congress to assure that essen-  
14 tial lines of property insurance, including lines providing pro-  
15 tection against riot and civil commotion damage will be  
16 available to property owners at reasonable cost.

17 (b) The purposes of this title are, therefore, to (1) en-  
18 courage and assist the various State insurance authorities and  
19 the property insurance industry to develop and carry out  
20 statewide programs which will make necessary property in-  
21 surance coverage against the fire, crime, and other perils  
22 more readily available for residential, business, and other  
23 properties meeting reasonable underwriting standards; and  
24 (2) provide a Federal program of reinsurance against ab-  
25 normally high property insurance losses resulting from riots



1 and other civil commotion, placing appropriate financial  
2 responsibility upon the States to share in such losses.

3 AMENDMENT OF THE NATIONAL HOUSING ACT

4 SEC. 1003. The National Housing Act is amended by  
5 adding at the end thereof the following new title:

6 "TITLE XII—NATIONAL INSURANCE  
7 DEVELOPMENT PROGRAM

8 "PROGRAM AUTHORITY

9 "SEC. 1201. (a) The Secretary is authorized to estab-  
10 lish and carry out the programs provided for in parts A, B,  
11 and C of this title.

12 "(b) (1) The powers of the Secretary under this title  
13 shall terminate on April 30, 1973, except to the extent  
14 necessary—

15 "(A) to continue reinsurance in accordance with  
16 the provisions of section 1223 (b) until April 30, 1976;

17 "(B) to process, verify, and pay claims for rein-  
18 sured losses and perform other necessary functions in  
19 connection therewith; and

20 "(C) to complete the liquidation and termination of  
21 the reinsurance program.

22 "(2) On April 30, 1976, or as soon thereafter as pos-  
23 sible, the Secretary shall submit to the Congress, for its  
24 approval, a plan for the liquidation and termination of the  
25 reinsurance program.

1     “ADVISORY BOARD; MEETINGS, DUTIES, COMPENSATION,  
2                 AND EXPENSES

3       “SEC. 1202. (a) (1) There is established an Advisory  
4 Board (hereinafter called the ‘Board’) consisting of nineteen  
5 members appointed by the Secretary. Members of the Board  
6 shall be selected from among representatives of the general  
7 public, the insurance industry, State and local governments  
8 including State insurance authorities, and the Federal Gov-  
9 ernment. Of these members of the Board, not more than six  
10 shall be regular full-time employees of the Federal Govern-  
11 ment, and not less than four shall be representatives of the  
12 private insurance industry and not less than four shall be  
13 representatives of State insurance authorities.

14           “(2) The Secretary shall designate a Chairman and a  
15 Vice Chairman of the Board.

16       “(3) Each member shall serve for a term of two years  
17 or until his successor has been appointed, except that no  
18 person who is appointed while a full-time employee of a State  
19 or the Federal Government shall serve in such position after  
20 he ceases to be so employed, unless he is reappointed.

21       “(4) Any member appointed to fill a vacancy occurring  
22 prior to the expiration of the term for which his predecessor  
23 was appointed shall be appointed for the remainder of that  
24 term.



1       “(b) The Chairman shall preside at all meetings, and  
2 the Vice Chairman shall preside in the absence or disability  
3 of the Chairman. In the absence of both the Chairman and  
4 Vice Chairman, the Secretary may appoint any member  
5 to act as Chairman pro tempore. The Board shall meet at  
6 such times and places as it or the Secretary may fix and  
7 determine, but shall hold at least four regularly scheduled  
8 meetings a year. Special meetings may be held at the call  
9 of the Chairman or any three members of the Board, or at  
10 the call of the Secretary.

11       “(c) The Board shall review general policies and shall  
12 advise the Secretary with respect thereto, and perform such  
13 other functions as are specified in this title.

14       “(d) The members of the Board shall not, by reason of  
15 such membership, be deemed to be employees of the United  
16 States, and such members, except those who are regular full-  
17 time employees of the Government, shall receive for their  
18 services, as members, the per diem equivalent to the rate for  
19 grade GS-18 of the General Schedule under section 5332  
20 of title 5, United States Code, when engaged in the per-  
21 formance of their duties, and each member of the Board  
22 shall be allowed travel expenses, including per diem in lieu  
23 of subsistence, as authorized by section 5703 of such title for  
24 persons in the Government service employed intermittently.

## 1 "DEFINITIONS

2 "SEC. 1203. (a) When used in this title, unless the  
3 context otherwise requires, the term—

4 "(1) 'environmental hazard' means any hazardous  
5 condition that might give rise to loss under an insurance  
6 contract, but which is beyond the control of the property  
7 owner;

8 "(2) 'essential property insurance' means insur-  
9 ance against direct loss to property as defined and  
10 limited in standard fire policies and extended coverage  
11 endorsement thereon, as approved by the State insur-  
12 ance authority and the Secretary, and insurance for such  
13 types, classes, and locations of property against the perils  
14 of vandalism, malicious mischief, burglary, or theft, as  
15 the Secretary by rule shall designate. Such insurance  
16 shall not include automobile insurance and shall not  
17 include insurance on such types of manufacturing risks  
18 as may be excluded by the State insurance authority;

19 "(3) 'inspection facility', with respect to any State,  
20 means any rating bureau or other person designated by  
21 the State insurance authority to perform inspections  
22 under fair access to insurance requirements plans under  
23 part A;

24 "(4) 'insurer' includes any insurance company or



1 group of companies under common ownership which is  
2 authorized to engage in the insurance business under the  
3 laws of any State;

4 “(5) ‘pool’ means any pool or association of insur-  
5 ance companies in any State which is formed, associated,  
6 or otherwise created for the purpose of making property  
7 insurance more readily available;

8 “(6) ‘losses resulting from riots or civil disorders’  
9 means losses resulting from riots or civil disorders under  
10 policies for standard lines of property insurance for which  
11 reinsurance is offered under section 1221, as determined  
12 under regulations of the Secretary;

13 “(7) ‘property owner’, with respect to any real,  
14 personal, or mixed real and personal property, means  
15 any person having an insurable interest in such property;

16 “(8) ‘person’ includes any individual or group of  
17 individuals, corporation, partnership, or association, or  
18 any other organized group of persons;

19 “(9) ‘reinsured losses’ means losses on reinsurance  
20 claims and all direct expenses incurred in connection  
21 therewith including, but not limited to, expenses for  
22 processing, verifying, and paying such losses;

23 “(10) ‘standard line of property insurance’ in-  
24 cludes—

25 “(A) fire and extended coverage;

- 1           “(B) vandalism and malicious mischief;  
2           “(C) other allied lines of fire insurance;  
3           “(D) burglary and theft;  
4           “(E) those portions of multiple peril policies  
5 covering perils similar to those provided for in sub-  
6 paragraphs (A), (B), (C), and (D);  
7           “(F) inland marine;  
8           “(G) glass;  
9           “(H) boiler and machinery;  
10           “(I) ocean marine;  
11           “(J) aircraft physical damage; and  
12           “(K) such other lines generally offered to the  
13 public which include protection against damage from  
14 riot or civil commotion as the Secretary by regu-  
15 lation may designate;  
16           “(11) ‘State’ means the several States, the Dis-  
17 trict of Columbia, the Commonwealth of Puerto Rico,  
18 Guam, American Samoa, and the Trust Territory of the  
19 Pacific;  
20           “(12) ‘urban area’ includes any municipality or  
21 other political subdivision of a State, subject to popula-  
22 tion or other limitations defined in rules and regulations  
23 of the Secretary and such additional areas as may be  
24 designated by the State insurance authority; and  
25           “(13) ‘year’ means a calendar year, fiscal year of



1 a company, or such other period of twelve months as  
2 may be designated by the Secretary.

3       “(b) The Secretary is authorized to define, by rules  
4   and regulations, any technical or trade term, insofar as such  
5   definition is not inconsistent with the provisions of this title.

6 “PART A—STATEWIDE PLANS TO ASSURE FAIR ACCESS  
7 TO INSURANCE REQUIREMENTS

## 8 "FAIR PLANS

9           “SEC. 1211. (a) Each insurer reinsured under this title  
10 shall cooperate with the State insurance authority in each  
11 State in which it is to acquire such reinsurance in establishing  
12 and carrying out statewide plans to assure fair access to insur-  
13 ance requirements (FAIR plans).

14       “(b) Such plans must be approved by the State in-  
15       surance authority, or be authorized or required by State  
16       law, and shall be designed to make essential property insur-  
17       ance more readily available in, but not necessarily limited to,  
18       urban areas. Such plans may vary in detail from State to  
19       State because of local conditions, but all plans shall contain  
20       provision that—

21           “(1) no risk shall be written at surcharged rates  
22           or be denied insurance coverage for essential property  
23           insurance unless there has first been an inspection of  
24           the risk, without cost to the owner, by an inspection  
25           facility and a determination by the insurer, based on

1 information in the inspection report and other sources,  
2 that the risk does not meet reasonable underwriting  
3 standards at the applicable premium rate;

4 “(2) inspections under the plan may be requested  
5 by the property owner or his representative, the insurer,  
6 or the insurance agent, broker or other producer, and  
7 such requests need not be made in writing;

8 “(3) the absence of a building owner or his repre-  
9 sentative during an inspection shall not preclude a tenant  
10 seeking insurance from obtaining an inspection under the  
11 plan;

12 “(4) following the inspection, a copy of the inspec-  
13 tion report shall be promptly sent by the inspection  
14 facility to the insurer or insurers, or to an all-industry  
15 placement facility referred to under section 1212, as  
16 may be designated by the person requesting the  
17 inspection;

18 “(5) after the inspection report is received by an  
19 insurer, it shall promptly determine if the risk meets  
20 reasonable underwriting standards at the applicable  
21 premium rate, and shall promptly return to the inspec-  
22 tion facility the inspection report and provide an action  
23 report setting forth—

24 “(A) (i) the amount of coverage it agrees to  
25 write; and if the insurer agrees to write the cover-



1           age with a surcharge (if such a surcharge is  
2           authorized by the State insurance authority), the  
3           improvements necessary before it will provide cov-  
4           erage at an unsurcharged premium rate; and

5           “(ii) the amount of coverage it agrees to write  
6           if certain improvements specified in the action report  
7           are made; or

8           “(B) the specific reasons it declines to write  
9           coverage;

10          “(6) if the insurer declines the risk, or agrees to  
11          write the coverage sought on condition that the property  
12          will be improved, it shall also promptly send a copy of  
13          both the inspection and action reports to the property  
14          owner and the State insurance authority, and at the time  
15          the insurer sends such reports to the property owner, it  
16          shall also explain his right, under applicable State laws,  
17          to appeal the decision of the insurer to the State insur-  
18          ance authority, setting forth the procedures to be fol-  
19          lowed for such appeal;

20          “(7) all policies written pursuant to the plan shall  
21          be promptly written after inspection or reinspection and  
22          shall be separately coded so that appropriate records  
23          may be compiled for purposes of performing loss pre-  
24          vention and other studies of the operation of the plan;

25          “(8) the inspection facility shall submit to the

1 State insurance authority and to the Secretary periodic  
2 reports setting forth information, by individual insurers,  
3 including the number of risks inspected under the plan,  
4 the number of risks accepted, the number of risks condi-  
5 tionally accepted and reinspections made, the number  
6 of risks declined, and such other information as the State  
7 insurance authority may request;

8 “(9) notice will be given to any policyholder a  
9 reasonable time prior to the cancellation or nonrenewal  
10 of any risk eligible under the plan (except in case of  
11 nonpayment of premium or evidence of incendiarism),  
12 to allow ample time for an application for new coverage  
13 to be made and a new policy to be written under the  
14 plan, and the insurer shall, in writing, explain to the  
15 policyholder the procedures for obtaining an inspection  
16 under the plan in the notice of cancellation or nonre-  
17 newal; and

18 “(10) a continuing public education program will  
19 be undertaken by the participating insurers, agents, and  
20 brokers to assure that the plan receives adequate public  
21 attention.

22 “ALL-INDUSTRY PLACEMENT FACILITY

23 “SEC. 1212. Any plan under this part shall include an  
24 all-industry placement facility doing business with every



1 insurer participating in the plan in the State, and shall  
2 provide that this facility shall perform certain functions  
3 including, but not limited to, the following:

4       “(1) seeking, upon request by or on behalf of any  
5       property owner requesting an inspection under the plan,  
6       to distribute the risks involved equitably among the  
7       insurers with which it is doing business; and

8       “(2) seeking to place insurance up to the full  
9       insurable value of the risk to be insured with one or  
10      more insurers with which it is doing business, except  
11      to the extent that deductibles, percentage participation  
12      clauses, and other underwriting devices are employed to  
13      meet special problems of insurability.

14                       “INDUSTRY COOPERATION

15       “SEC. 1213. (a) Every insurer seeking reinsurance  
16      under this title shall file a statement with the State insurance  
17      authority in each State in which it is participating in a plan  
18      under this part, pledging its full participation and cooperation  
19      in carrying out the plan, and shall file a copy of such state-  
20      ment with the Secretary.

21       “(b) No insurer acquiring reinsurance under this title  
22      shall direct any agent or broker or other producer not to  
23      solicit business through such a plan, nor shall any agent,  
24      broker, or other producer be penalized by such insurer in

1 any way for submitting applications for insurance to an  
2 insurer under the plan.

3 "PLAN EVALUATION

4 "SEC. 1214. (a) In accordance with such rules and  
5 regulations as the Secretary may prescribe, each State  
6 insurance authority shall—

7 " (1) transmit to the Secretary any proposed or  
8 adopted plan, or amendments thereto; and

9 " (2) advise the Secretary, from time to time,  
10 concerning the operation of the plan, its effectiveness in  
11 providing essential property insurance, and the need to  
12 form a pool of insurers or adopt other programs to make  
13 essential property insurance more readily available in  
14 urban areas of the State.

15 " (b) The Secretary may, after full consultation with  
16 the Board, by rules and regulations, modify the plan criteria  
17 set forth under this part, if it finds, on the basis of experi-  
18 ence, that such action is necessary or desirable to carry out  
19 the purposes of this title. The Secretary may also, with  
20 respect to any State, waive compliance with one or more of  
21 the plan criteria, upon certification by the State insurance  
22 authority that compliance is unnecessary or inadvisable  
23 under local conditions or State law.



1                   “PART B—REINSURANCE COVERAGE

2                   “REINSURANCE OF LOSSES FROM RIOTS OR CIVIL

3                                   DISORDERS

4           “SEC. 1221. (a) (1) The Secretary is authorized to  
5 offer to any insurer or pool, subject to the conditions set forth  
6 in section 1223, reinsurance against property losses resulting  
7 from riots or civil disorders in any one or more States.

8           “(2) Reinsurance shall be offered to any such insurer  
9 or pool only on all standard lines of property insurance  
10 enumerated under subparagraphs (A) through (E) of sec-  
11 tion 1203 (a) (10) together, and any insurer or pool purchas-  
12 ing such reinsurance shall also be eligible to purchase rein-  
13 surance on any one or more standard lines of property insur-  
14 ance enumerated under subparagraphs (F) through (J)  
15 of section 1203 (a) (10) or which may be designated by  
16 regulation pursuant to subparagraph (K) of that sec-  
17 tion.

18           “(b) Reinsurance coverage under this section may be  
19 provided immediately following the enactment of this title  
20 to any insurer or pool in any State on a temporary basis,  
21 and on such terms and conditions as may be agreed upon,  
22 and coverage under such terms and conditions may be bound  
23 with respect to any such insurer or pool by means of a writ-  
24 ten binder which shall remain in force not more than ninety  
25 days and shall expire at the earlier of either—

1           “(1) the termination of such ninety-day period, or

2           “(2) the effective date of any governing contract,

3       agreement, treaty, or other arrangement entered into be-

4       tween the insurer or pool and the Secretary under sec-

5       tion 1222 for the purpose of providing reinsurance cov-

6       erage against losses resulting from riots or civil disorders.

7       “(c) No reinsurance shall be offered to any insurer or

8       pool in a State after the expiration of the written binder

9       entered into under subsection (b), unless there is in effect in

10      such State a plan as set forth under part A and the insurer

11      or pool is participating in such plan, and unless, in the case

12      of an insurer in a State where a pool has been established

13      pursuant to State law, the insurer is participating in such a

14      pool.

15           “REINSURANCE AGREEMENTS AND PREMIUMS

16       “SEC. 1222. (a) During the first year following the

17      date of the enactment of this title, the Secretary is authorized

18      to enter into any contract, agreement, treaty, or other ar-

19      rangement with any insurer or pool for reinsurance coverage,

20      in consideration of payment of such premiums, fees, or other

21      charges by insurers or pools which the Secretary, after full

22      consultation with the Board, deems to be adequate to obtain

23      aggregate reinsurance premiums for deposit in the National

24      Insurance Development Fund established under section 1233

25      in excess of the estimated amount of insured riot losses dur-



1 ing the calendar year 1967, on the assumption that a sub-  
2 stantial proportion of the property insurance written will be  
3 reinsured under this title, and thereafter the Secretary may  
4 increase or decrease such premiums for reinsurance if it is  
5 found after full consultation with the Board and the National  
6 Association of Insurance Commissioners that such action is  
7 necessary or appropriate to carry out the purposes of this  
8 title.

9       “(b) Reinsurance offered under this title shall reimburse  
10 an insurer or pool for its total proved and approved claims  
11 for covered losses resulting from riots or civil disorders dur-  
12 ing the term of the reinsurance contract, agreement, treaty,  
13 or other arrangement, over and above the amount of the  
14 insurer’s or pool’s retention of such losses as provided in such  
15 reinsurance contract, agreement, treaty, or other arrange-  
16 ment entered into under this section.

17       “(c) Such contracts, agreements, treaties, or other ar-  
18 rangements may be made without regard to section 3679  
19 (a) of the Revised Statutes of the United States (31 U.S.C.  
20 665 (a) ), and shall include any terms and conditions which  
21 the Secretary deems necessary to carry out the purposes  
22 of this title. The premium rates, terms, and conditions of  
23 such contracts with insurers or pools, throughout the coun-  
24 try, in any one year shall be uniform.

25       “(d) Any contract, agreement, treaty, or other arrange-

1 ment for reinsurance under this section shall be for a term  
2 expiring on April 30, 1969, and on April 30 each year  
3 thereafter, and shall be entered into within ninety days after  
4 the date of the enactment of this title or within ninety days  
5 prior to April 30 each year thereafter, or within ninety days  
6 after an insurer is authorized to write insurance eligible for  
7 reinsurance in a State which it was not authorized to write  
8 in the preceding year.

9 "CONDITIONS OF REINSURANCE

10 "SEC. 1223. (a) Subject to the provisions of subsection  
11 (b), reinsurance shall not be offered by the Secretary in  
12 a State or be applicable to insurance policies written in that  
13 State by an insurer—

14 " (1) after one year following the date of the enact-  
15 ment of this title, or, if the appropriate State legislative  
16 body has not met in regular session during that year, by  
17 the close of its next regular session, in any State which  
18 has not adopted appropriate legislation, retroactive to  
19 the date of the enactment of this title, under which the  
20 State, its political subdivisions, or a governmental cor-  
21 poration or fund established pursuant to State law, will  
22 reimburse the Secretary, in an amount up to 5 per  
23 centum of the aggregate property insurance premiums  
24 earned in that State during the preceding calendar year  
25 on those lines of insurance reinsured by the Secretary in



1       that State during the current year, such that the Secretary  
2       may be reimbursed for amounts paid by him in respect  
3       to reinsured losses that occurred in that State during a  
4       calendar year in excess of (A) reinsurance premiums  
5       received in that State during the same calendar year  
6       plus (B) the excess of (i) the total premiums received  
7       by the Secretary for reinsurance in that State during a  
8       preceding period measured from the end of the most  
9       recent calendar year with respect to which the Secre-  
10      tary was reimbursed for losses under this title over (ii)  
11      any amounts paid by the Secretary for reinsured losses  
12      that occurred during this same period;

13           “(2) after thirty days following notification to the  
14      insurer that the Secretary finds that there has not  
15      been adopted by the State, or the property insurance  
16      industry in that State, a suitable program or programs,  
17      in addition to plans under part A, to make essential  
18      property insurance available without regard to environ-  
19      mental hazards, and that such action is necessary to  
20      carry out the purposes of this title; except that this  
21      paragraph shall not become effective until two years  
22      after the date of the enactment of this title, or at such  
23      earlier date as the Secretary, after consultation with  
24      the State insurance authority, may determine;

1 “(3) after thirty days following notification to the  
2 insurer that the Secretary, or the State insurance author-  
3 ity, finds that such insurer is not fully participating—

4 “(A) in the plan in the State;

5 “(B) where it exists, in a pool; and

6 “(C) where it exists, in any other program  
7 found by the Secretary to aid in making essential  
8 property insurance more readily available in the  
9 State;

10 “(4) following a merger, acquisition, consolidation  
11 or reorganization involving one or more insurers having  
12 lines of property insurance in the State reinsured under  
13 this title and one or more insurers with or without  
14 such reinsurance, unless the surviving company—

15 “(A) meets the criteria of eligibility for rein-  
16 surance, other than as provided under section 1222  
17 (d) ; and

18 “(B) within ten days pays any reinsurance  
19 premiums due; or

20 “(5) upon receipt of notice from the insurer or pool  
21 that it desires to cancel its reinsurance agreement with  
22 the Secretary in the State.

23 “(b) Notwithstanding the foregoing provisions of this  
24 section, reinsurance may be continued for the term of the



1 policies written prior to the date of termination or non-  
2 renewal of reinsurance under this section, for as long as the  
3 insurer pays reinsurance premiums annually in such amounts  
4 as are determined under section 1222, based on the annual  
5 premiums earned on such reinsured policies, and for the pur-  
6 pose of this subsection, the renewal, extension, modification,  
7 or other change in a policy, for which any additional pre-  
8 mium is charged, shall be deemed to be a policy written on  
9 the date such change was made.

10 “RECOVERY OF PREMIUMS; STATUTE OF LIMITATIONS

11 “SEC. 1224. (a) The Secretary, in a suit brought in the  
12 appropriate United States district court, shall be entitled to  
13 recover from any insurer the amount of any unpaid premiums  
14 lawfully payable by such insurer to the Secretary.

15 “(b) No action or proceeding shall be brought for the  
16 recovery of any premium due to the Secretary for reinsur-  
17 ance, or for the recovery of any premium paid to the Sec-  
18 retary in excess of the amount due to him, unless such action  
19 or proceeding shall have been brought within five years after  
20 the right accrued for which the claim is made, except that,  
21 where the insurer has made or filed with the Secretary a  
22 false or fraudulent annual statement, or other document with  
23 the intent to evade, in whole or in part, the payment of  
24 premiums, the claim shall not be deemed to have accrued  
25 until its discovery by the Secretary.

1       “PART C—PROVISIONS OF GENERAL APPLICABILITY

2               “CLAIMS AND JUDICIAL REVIEW

3       “SEC. 1231. (a) All reinsurance claims for losses under  
4 this title shall be submitted by insurers in accordance with  
5 such terms and conditions as may be established by the  
6 Secretary.

7       “(b) (1) Upon disallowance of any claim under color  
8 of reinsurance made available under this title, or upon re-  
9 fusals of the claimant to accept the amount allowed upon any  
10 such claim, the claimant may institute an action against the  
11 Secretary on such claim in the United States district court  
12 for the district in which a major portion (in terms of value)  
13 of the claim arose.

14       “(2) Any such action must be begun within one year  
15 after the date upon which the claimant received written  
16 notice of disallowance or partial disallowance of the claim,  
17 and exclusive jurisdiction is hereby conferred upon United  
18 States district courts to hear and determine such actions  
19 without regard to the amount in controversy.

20               “FISCAL INTERMEDIARIES AND SERVICING AGENTS

21       “SEC. 1232. (a) In order to provide for maximum  
22 efficiency in the administration of the reinsurance program  
23 under this title, and in order to facilitate the expeditious  
24 payment of any funds under such program, the Secretary  
25 may enter into contracts with any insurer, pool, or other



1 person, for the purpose of providing for the performance of  
2 any or all of the following functions:

3 “(1) estimating or determining any amounts of  
4 payments for reinsurance claims;

5 “(2) receiving and disbursing and accounting for  
6 funds in making payments for reinsurance claims;

7 “(3) auditing the records of any insurer, pool, or  
8 other person to the extent necessary to assure that  
9 proper payments are made;

10 “(4) establishing the basis of liability for reinsur-  
11 ance payments, including the total amount of proved  
12 and approved claims which may be payable to any  
13 insurer, and the total amount of premiums earned by  
14 any insurer in the respective States for reinsured lines  
15 of property insurance; and

16 “(5) otherwise assisting in any manner provided  
17 in the contract to further the purposes of this title.

18 “(b) (1) Any such contract may require the insurer,  
19 pool, or other person, or any of its officers or employees  
20 certifying payments or disbursing funds pursuant to the con-  
21 tract, or otherwise participating in carrying out the contract,  
22 to give surety bond to the United States in such amounts as  
23 the Secretary may deem appropriate.

24 “(2) In the absence of gross negligence or intent to  
25 defraud the United States—

1           “(A) no individual designated pursuant to a con-  
2       tract under this section to certify payments shall be liable  
3       with respect to any payment certified by him under this  
4       section; and

5           “(B) no officer of the United States disbursing funds  
6       shall be liable with respect to any otherwise proper pay-  
7       ment by him if it was based on a voucher signed by an  
8       individual designated pursuant to a contract under this  
9       section to certify payments.

10       “NATIONAL INSURANCE DEVELOPMENT FUND

11       “SEC. 1233. (a) To carry out the programs authorized  
12   under this title, the Secretary is authorized to establish a  
13   National Insurance Development Fund (hereinafter called  
14   the ‘fund’) which shall be available, without fiscal year  
15   limitations—

16           “(1) to make such payments as may, from time to  
17       time, be required under reinsurance contracts under this  
18       title;

19           “(2) to pay such administrative expenses as may  
20       be necessary or appropriate to carry out the purposes of  
21       this title; and

22           “(3) to repay to the Secretary of the Treasury such  
23       sums, including interest thereon, as may be borrowed  
24       from him for purposes of such programs under section  
25       520 (b).



1       “(b) The fund shall be credited with—

2               “(1) reinsurance premiums, fees, and other charges  
3       which may be paid or collected in connection with re-  
4       insurance provided under part B;

5               “(2) interest which may be earned on investments  
6       of the fund;

7               “(3) such amounts as may be advanced to the  
8       fund from appropriations in order to maintain the fund  
9       in an operative condition adequate to meet its liabilities;

10              “(4) receipts from any other source which may,  
11       from time to time, be credited to the fund; and

12              “(5) funds borrowed by the Secretary under sec-  
13       tion 520 (b) and deposited in the fund.

14              “(c) If, after any amounts which may have been ad-  
15       vanced to the fund from appropriations have been credited  
16       to the appropriation from which advanced (including inter-  
17       est thereon at the rate prescribed under section 520 (b) ), the  
18       Secretary determines that the moneys of the fund are in  
19       excess of current needs, he may request the investment of  
20       such amounts as he deems advisable by the Secretary of the  
21       Treasury in obligations issued or guaranteed by the United  
22       States.

23              “RECORDS, ANNUAL STATEMENT, AND AUDITS

24              “SEC. 1234. (a) Any insurer or pool acquiring reinsur-  
25       ance under this title shall furnish the Secretary with such

1 summaries and analyses of information in its records as  
2 may be necessary to carry out the purposes of this title, in  
3 such form as the Secretary, in cooperation with the State  
4 insurance authority, shall, by rules and regulations, pre-  
5 scribe. The Secretary shall make use of State insurance  
6 authority examination reports and facilities to the maximum  
7 extent feasible.

8       “(b) Any insurer or pool acquiring reinsurance under  
9 this title shall file with the Secretary a true and correct  
10 copy of any annual statement, or amendment thereof, filed  
11 with the State insurance authority of its domiciliary State,  
12 at the time it files such statement or amendment with such  
13 State insurance authority.

14       “(c) Any insurer or other person executing any con-  
15 tract, agreement, or other appropriate arrangement with the  
16 Secretary under section 1222 or section 1232 shall keep  
17 reasonable records which fully disclose the total costs of the  
18 programs undertaken or the services being rendered, and  
19 such other records as will facilitate an effective audit of lia-  
20 bility for reinsurance payments by the Secretary.

21       “(d) The Secretary and the Comptroller General of  
22 the United States, or any of their duly authorized repre-  
23 sentatives, shall have access for the purpose of investigation,  
24 audit, and examination to any books, documents, papers,  
25 and records of any insurer or other person that are pertinent



1 to the costs of any program undertaken for, or services ren-  
2 dered to, the Secretary. Such audits shall be conducted to  
3 the maximum extent feasible in cooperation with the State  
4 insurance authorities and through the use of their examining  
5 facilities.

6 "STUDY OF REINSURANCE AND OTHER PROGRAMS

7 "SEC. 1235. (a) The Secretary is authorized and di-  
8 rected to conduct a study of reinsurance and other means  
9 to help assure—

10 " (1) an adequate market for burglary and theft and  
11 other property insurance in urban areas; and

12 " (2) adequate availability of surety bonds for con-  
13 struction contractors in urban areas.

14 " (b) The Secretary shall submit the results of this study,  
15 together with appropriate recommendations, to the President  
16 and Congress no later than one year following the date of  
17 the enactment of this title.

18 "OTHER STUDIES

19 "SEC. 1236. (a) The Secretary is authorized to under-  
20 take such studies as may be necessary to carry out the pur-  
21 poses of this title including, but not limited to, inquiries  
22 concerning—

23 " (1) the operation of plans under part A;

24 " (2) the extent to which essential property insur-  
25 ance is unavailable in urban areas;

1 “(3) the market for private reinsurance; and

2 “(4) loss prevention methods and procedures, in-  
3 surance marketing methods, and underwriting techniques.

4 “(b) To such extent and under such circumstances as  
5 he deems appropriate, the Secretary may conduct any study  
6 authorized under this section in cooperation with State insur-  
7 ance authorities and the private insurance industry.

8 “GENERAL POWERS

9 “SEC. 1237. In the performance of, and with respect to,  
10 the functions, powers, and duties vested in him by this title,  
11 the Secretary shall (in addition to any authority otherwise  
12 vested in him) have the functions, powers, and duties (in-  
13 cluding the authority to issue rules and regulations) set forth  
14 in section 402, except subsections (c) (2), (d), and (f), of  
15 the Housing Act of 1950.

16 “SERVICES AND FACILITIES OF OTHER AGENCIES—UTILI-  
17 ZATION OF PERSONNEL, SERVICES, FACILITIES, AND  
18 INFORMATION

19 “SEC. 1238. The Secretary may, with the consent of  
20 the agency concerned, accept and utilize, on a reimbursable  
21 basis, the officers, employees, services, facilities, and infor-  
22 mation of any agency of the Federal Government, except  
23 that any such agency having custody of any data relating  
24 to any of the matters within the jurisdiction of the Secretary



1 shall, to the extent permitted by law, upon request of the  
2 Secretary, make such data available to the Secretary.

3 "ADVANCE PAYMENTS

4 "SEC. 1239. Any payments which are made under the  
5 authority of this title may be made, after necessary adjust-  
6 ments on account of previously made underpayments or over-  
7 payments in advance or by way of reimbursement. Payments  
8 may be made in such installments and on such conditions as  
9 the Secretary may determine.

10 "TAXATION

11 "SEC. 1240. (a) The National Insurance Development  
12 Fund, including its reserves, surplus, and income, shall be  
13 exempt from all taxation now or hereafter imposed by the  
14 United States, or by any State, or any subdivision thereof,  
15 except that any real property acquired by the Secretary as a  
16 result of reinsurance shall be subject to taxation by any State  
17 or political subdivision thereof, to the same extent, according  
18 to its value, as other real property is taxed.

19 "(b) Any measures undertaken by any State to meet  
20 or to fund its obligations under section 1223 (a) (1) shall  
21 not be the subject of any retaliatory or fiscal imposition by  
22 any other State.

1                               “APPROPRIATIONS

2           “SEC. 1241. There are hereby authorized to be appro-  
3   priated such sums as may be necessary to carry out this  
4   title.”

5                               FINANCING

6           SEC. 1004. Section 520 (b) of the National Housing  
7   Act is amended by inserting “(1)” after “necessary” in the  
8   first sentence, and by striking out the period at the end of  
9   such sentence and inserting in lieu thereof “, and (2) to make  
10   payments for reinsured losses under title XII of this Act:  
11   *Provided, however,* That borrowings to make payments for  
12   reinsured losses under title XII shall be limited to \$150,-  
13   000,000 or such further sum as the Congress, by joint res-  
14   olution, may from time to time determine.”

15                   TITLE XI—NATIONAL FLOOD INSURANCE

16                               SHORT TITLE

17           SEC. 1101. This title may be cited as the “National  
18   Flood Insurance Act of 1968”.

19                               FINDINGS AND DECLARATION OF PURPOSE

20           SEC. 1102. (a) The Congress finds that (1) from time  
21   to time flood disasters have created personal hardships and  
22   economic distress which have required unforeseen disaster



1 relief measures and have placed an increasing burden on the  
2 Nation's resources; (2) despite the installation of preventive  
3 and protective works and the adoption of other public pro-  
4 grams designed to reduce losses caused by flood damage,  
5 these methods have not been sufficient to protect adequately  
6 against growing exposure to future flood losses; (3) as a  
7 matter of national policy, a reasonable method of sharing  
8 the risk of flood losses is through a program of flood insur-  
9 ance which can complement and encourage preventive and  
10 protective measures; and (4) if such a program is initiated  
11 and carried out gradually, it can be expanded as knowledge  
12 is gained and experience is appraised, thus eventually mak-  
13 ing flood insurance coverage available on reasonable terms  
14 and conditions to persons who have need for such protection.

15 (b) The Congress also finds that (1) many factors have  
16 made it uneconomic for the private insurance industry alone  
17 to make flood insurance available to those in need of such  
18 protection on reasonable terms and conditions; but (2) a  
19 program of flood insurance with large-scale participation of  
20 the Federal Government and carried out to the maximum  
21 extent practicable by the private insurance industry is feasi-  
22 ble and can be initiated.

23 (c) The Congress further finds that (1) a program of  
24 flood insurance can promote the public interest by providing  
25 appropriate protection against the perils of flood losses and

1 encouraging sound land use by minimizing exposure of prop-  
2 erty to flood losses; and (2) the objectives of a flood insur-  
3 ance program should be integrally related to a unified  
4 national program for flood plain management and, to this  
5 end, it is the sense of Congress that within two years follow-  
6 ing the date of the enactment of this Act the President should  
7 transmit to the Congress for its consideration any further  
8 proposals necessary for such a unified program, including  
9 proposals for the allocation of costs among beneficiaries of  
10 flood protection.

11 (d) It is therefore the purpose of this title to (1) au-  
12 thorize a flood insurance program by means of which flood  
13 insurance, over a period of time, can be made available on  
14 a nationwide basis through the cooperative efforts of the  
15 Federal Government and the private insurance industry,  
16 and (2) provide flexibility in the program so that such flood  
17 insurance may be based on workable methods of pooling  
18 risks, minimizing costs, and distributing burdens equitably  
19 among those who will be protected by flood insurance and  
20 the general public.

21 (e) It is the further purpose of this title to (1) en-  
22 courage State and local governments to make appropriate  
23 land use adjustments to constrict the development of land  
24 which is exposed to flood damage and minimize damage  
25 caused by flood losses, (2) guide the development of pro-



1 posed future construction, where practicable, away from loca-  
2 tions which are threatened by flood hazards, (3) encourage  
3 lending and credit institutions, as a matter of national policy,  
4 to assist in furthering the objectives of the flood insurance  
5 program, (4) assure that any Federal assistance provided  
6 under the program will be related closely to all flood-related  
7 programs and activities of the Federal Government, and  
8 (5) authorize continuing studies of flood hazards in order  
9 to provide for a constant reappraisal of the flood insurance  
10 program and its effect on land use requirements.

11 AMENDMENTS TO THE FEDERAL FLOOD INSURANCE ACT OF

12 1956

13 SEC. 1103. (a) The second sentence of section 15 (e) of  
14 the Federal Flood Insurance Act of 1956 (79 Stat. 1078)  
15 is amended—

16 (1) by striking out “rate” the second time it  
17 appears in such sentence, and inserting in lieu thereof  
18 “market yield”, and

19 (2) by striking out “as of the last day of”, and  
20 inserting in lieu thereof “during”.

21 (b) Section 15 (e) of such Act is further amended by  
22 striking out the last sentence thereof.

23 (c) Sections 2 through 14, subsections (a) through  
24 (d), and (f) and (g) of section 15, and sections 16 through  
25 23 of such Act are hereby repealed.

1 CHAPTER I—THE NATIONAL FLOOD INSURANCE  
2 PROGRAM

3 BASIC AUTHORITY

4 SEC. 1105. (a) To carry out the purposes of this title,  
5 the Secretary of Housing and Urban Development is author-  
6 ized to establish and carry out a national flood insurance  
7 program which will enable interested persons to purchase  
8 insurance against loss resulting from physical damage to or  
9 loss of real property or personal property related thereto  
10 arising from any flood occurring in the United States.

11 (b) In carrying out the flood insurance program the  
12 Secretary shall, to the maximum extent practicable, en-  
13 courage and arrange for—

14 (1) appropriate financial participation and risk  
15 sharing in the program by insurance companies and other  
16 insurers, and

17 (2) other appropriate participation, on other than a  
18 risk-sharing basis, by insurance companies and other in-  
19 surers, insurance agents and brokers, and insurance ad-  
20 justment organizations,

21 in accordance with the provisions of chapter II.

22 SCOPE OF PROGRAM AND PRIORITIES

23 SEC. 1106. (a) In carrying out the flood insurance pro-  
24 gram the Secretary shall afford a priority to making flood



1 insurance available to cover residential properties which are  
2 designed for the occupancy of from one to four families and  
3 business properties which are owned or leased and operated  
4 by small business concerns.

5 (b) If on the basis of—

6 (1) studies and investigations undertaken and car-  
7 ried out and information received or exchanged under  
8 section 1108, and

9 (2) such other information as may be necessary,  
10 the Secretary determines that it would be feasible to extend  
11 the flood insurance program to cover any types or classes of—

12 (A) other residential properties,

13 (B) other business properties,

14 (C) agricultural properties,

15 (D) properties occupied by private nonprofit orga-  
16 nizations, or

17 (E) properties owned by State and local govern-  
18 ments and agencies thereof,

19 he shall transmit such determination to the Congress together  
20 with his recommendations with respect to any such exten-  
21 sion of the program.

22 (c) The Secretary shall make flood insurance available  
23 in only those States or areas (or subdivisions thereof) which  
24 he has determined have—

25 (1) evidenced a positive interest in securing flood

insurance coverage under the flood insurance program,  
and

(2) given satisfactory assurance that by June 30, 1970, permanent land use and control measures will have been adopted for the State or area (or subdivision) which are consistent with the comprehensive criteria for land management and use developed under section 1161, and that the application and enforcement of such measures will commence as soon as technical information on floodways and on controlling flood elevations is available.

#### NATURE AND LIMITATION OF INSURANCE COVERAGE

SEC. 1107. (a) The Secretary shall from time to time, after consultation with the advisory committee authorized under section 1119, appropriate representatives of the pool formed or otherwise created under section 1131, and appropriate representatives of the insurance authorities of the respective States, provide by regulation for general terms and conditions of insurability which shall be applicable to properties eligible for flood insurance coverage under section 1106, including—

(1) the types, classes, and locations of any such properties which shall be eligible for flood insurance;

(2) the nature and limits of loss or damage in any areas (or subdivisions thereof) which may be covered by such insurance;



1           (3) the classification, limitation, and rejection of  
2           any risks which may be advisable;

3           (4) appropriate minimum premiums;

4           (5) appropriate loss-deductibles; and

5           (6) any other terms and conditions relating to in-  
6           surance coverage or exclusion which may be necessary  
7           to carry out the purposes of this title.

8           (b) In addition to any other terms and conditions under  
9           subsection (a), such regulations shall provide that—

10           (1) any flood insurance coverage based on charge-  
11           able premium rates under section 1109 which are less  
12           than the estimated premium rates under section 1108

13           (a) (1) shall not exceed—

14                   (A) in the case of residential properties which  
15                   are designed for the occupancy of from one to four  
16                   families—

17                           (i) \$17,500 aggregate liability for any  
18                           dwelling unit, and \$30,000 for any single dwell-  
19                           ing structure containing more than one dwelling  
20                           unit, and

21                           (ii) \$5,000 aggregate liability per dwell-  
22                           ing unit for any contents related to such unit;

23                   (B) in the case of business properties which are  
24                   owned or leased and operated by small business con-  
25                   cerns, an aggregate liability with respect to any sin-

1       gle structure, including any contents thereof related  
2       to premises of small business occupants (as that term  
3       is defined by the Secretary) , which shall be equal to  
4       (i) \$30,000 plus (ii) \$5,000 multiplied by the  
5       number of such occupants and shall be allocated  
6       among such occupants (or among the occupant or  
7       occupants and the owner) under regulations pre-  
8       scribed by the Secretary; except that the aggregate  
9       liability for the structure itself may in no case exceed  
10      \$30,000; and

11           (C) in the case of any other properties which  
12      may become eligible for flood insurance coverage  
13      under section 1106—

14           (i) \$30,000 aggregate liability for any  
15      single structure, and

16           (ii) \$5,000 aggregate liability per dwell-  
17      ing unit for any contents related to such unit  
18      in the case of residential properties, or per  
19      occupant (as that term is defined by the Sec-  
20      retary) for any contents related to the premises  
21      occupied in the case of any other properties; and

22      (2) any flood insurance coverage which may be  
23      made available in excess of any of the limits specified  
24      in subparagraph (A) , (B) , or (C) of paragraph (1)  
25      (or allocated to any person under subparagraph (B)



1 of such paragraph) shall be based only on chargeable  
2 premium rates under section 1109 which are not less  
3 than the estimated premium rates under section 1108  
4 (a) (1), and the amount of such excess coverage shall  
5 not in any case exceed an amount which is equal to the  
6 applicable limit so specified (or allocated).

7 ESTIMATES OF PREMIUM RATES

8 SEC. 1108. (a) The Secretary is authorized to under-  
9 take and carry out such studies and investigations and  
10 receive or exchange such information as may be necessary  
11 to estimate, and shall from time to time estimate, on an  
12 area, subdivision, or other appropriate basis—

13 (1) the risk premium rates for flood insurance  
14 which—

15 (A) based on consideration of the risk involved  
16 and accepted actuarial principles, and

17 (B) including—

18 (i) the applicable operating costs and al-  
19 lowances set forth in the schedules prescribed  
20 under section 1112 and reflected in such rates,  
21 and

22 (ii) any administrative expenses (or por-  
23 tion of such expenses) of carrying out the flood  
24 insurance program which, in his discretion,  
25 should properly be reflected in such rates,

1 would be required in order to make such insurance avail-  
2 able on an actuarial basis for any types and classes of  
3 properties for which insurance coverage is available  
4 under section 1106 (a) (or is recommended to the Con-  
5 gress under section 1106 (b) ) ;

6 (2) the rates, if less than the rates estimated under  
7 paragraph (1), which would be reasonable, would  
8 encourage prospective insureds to purchase flood insur-  
9 ance, and would be consistent with the purposes of this  
10 title; and

11 (3) the extent, if any, to which federally assisted  
12 or other flood protection measures initiated after the  
13 date of the enactment of this title affect such rates.

14 (b) In carrying out subsection (a), the Secretary shall,  
15 to the maximum extent feasible and on a reimbursement  
16 basis, utilize the services of the Department of the Army, the  
17 Department of the Interior, the Department of Agriculture,  
18 the Department of Commerce, and the Tennessee Valley  
19 Authority, and, as appropriate, other Federal departments  
20 or agencies, and for such purposes may enter into agree-  
21 ments or other appropriate arrangements with any persons.

22 (c) The Secretary shall give priority to conducting  
23 studies and investigations and making estimates under this  
24 section in those States or areas (or subdivisions thereof)  
25 which he has determined have evidenced a positive interest



1 in securing flood insurance coverage under the flood in-  
2 surance program.

3 ESTABLISHMENT OF CHARGEABLE PREMIUM RATES

4 SEC. 1109. (a) On the basis of estimates made under  
5 section 1108 and such other information as may be necessary,  
6 the Secretary shall from time to time, after consultation with  
7 the advisory committee authorized under section 1119, ap-  
8 propriate representatives of the pool formed or otherwise  
9 created under section 1131, and appropriate representatives  
10 of the insurance authorities of the respective States, pre-  
11 scribe by regulation—

12 (1) chargeable premium rates for any types and  
13 classes of properties for which insurance coverage shall  
14 be available under section 1106 (at less than the esti-  
15 mated risk premium rates under section 1108 (a) (1),  
16 where necessary), and

17 (2) the terms and conditions under which, and the  
18 areas (including subdivisions thereof) within which,  
19 such rates shall apply.

20 (b) Such rates shall, insofar as practicable, be—

21 (1) based on a consideration of the respective risks  
22 involved, including differences in risks due to land use  
23 measures, floodproofing, flood forecasting, and similar  
24 measures,

25 (2) adequate, on the basis of accepted actuarial

principles, to provide reserves for anticipated losses, or, if less than such amount, consistent with the objective of making flood insurance available where necessary at reasonable rates so as to encourage prospective insureds to purchase such insurance and with the purposes of this title, and

(3) stated so as to reflect the basis for such rates, including the differences (if any) between the estimated risk premium rates under section 1108 (a) (1) and the estimated rates under section 1108 (a) (2).

(c) Notwithstanding any other provision of this title, the chargeable rate with respect to any property, the construction or substantial improvement of which the Secretary determines has been started after the identification of the area in which such property is located has been published under paragraph (1) of section 1160, shall not be less than the applicable estimated risk premium rate for such area (or subdivision thereof) under section 1108 (a) (1).

(d) In the event any chargeable premium rate prescribed under this section—

(1) is a rate which is not less than the applicable estimated risk premium rate under section 1108 (a) (1), and

(2) includes any amount for administrative ex-



1       penses of carrying out the flood insurance program  
2       which have been estimated under clause (ii) of section  
3       1108 (a) (1) (B),

4 a sum equal to such amount shall be paid to the Secretary,  
5 and he shall deposit such sum in the National Flood Insur-  
6 ance Fund established under section 1111.

## 7 FINANCING

8 SEC. 1110. (a) All authority which was vested in  
9 the Housing and Home Finance Administrator by virtue of  
10 section 15 (e) of the Federal Flood Insurance Act of 1956  
11 (70 Stat. 1084) (pertaining to the issue of notes or other  
12 obligations to the Secretary of the Treasury), as amended by  
13 subsections (a) and (b) of section 1103 of this Act, shall be  
14 available to the Secretary for the purpose of carrying out  
15 the flood insurance program under this title; except that the  
16 total amount of notes and obligations which may be issued  
17 by the Secretary pursuant to such authority shall not exceed  
18 \$150,000,000.

(b) Any funds borrowed by the Secretary under this authority shall, from time to time, be deposited in the National Flood Insurance Fund established under section 1111.

22 NATIONAL FLOOD INSURANCE FUND

SEC. 1111. (a) To carry out the flood insurance program authorized by this title, the Secretary is authorized to establish in the Treasury of the United States a National Flood

1 Insurance Fund (hereinafter referred to as the "fund")  
2 which shall be available, without fiscal year limitation—

3 (1) for making such payments as may, from time  
4 to time, be required under section 1134;

5 (2) to pay reinsurance claims under the excess  
6 loss reinsurance coverage provided under section 1135;

7 (3) to repay to the Secretary of the Treasury such  
8 sums as may be borrowed from him (together with  
9 interest) in accordance with the authority provided in  
10 section 1110; and

11 (4) for the purposes specified in subsection (d)  
12 under the conditions provided therein.

13 (b) The fund shall be credited with—

14 (1) such funds borrowed in accordance with the  
15 authority provided in section 1110 as may from time  
16 to time be deposited in the fund;

17 (2) premiums, fees, or other charges which may be  
18 paid or collected in connection with the excess loss rein-  
19 surance coverage provided under section 1135;

20 (3) such amounts as may be advanced to the fund  
21 from appropriations in order to maintain the fund in an  
22 operative condition adequate to meet its liabilities;

23 (4) interest which may be earned on investments  
24 of the fund pursuant to subsection (c) ;



1           (5) such sums as are required to be paid to the  
2       Secretary under section 1109 (d) ; and

3           (6) receipts from any other operations under this  
4       title (including premiums under the conditions specified  
5       in subsection (d) , and salvage proceeds, if any, resulting  
6       from reinsurance coverage) .

7       (c) If, after—

8           (1) all outstanding obligations of the fund have  
9       been liquidated, and

10          (2) any outstanding amounts which may have been  
11       advanced to the fund from appropriations authorized  
12       under section 1176 (a) (2) (B) have been credited to  
13       the appropriation from which advanced, with interest  
14       accrued at the rate prescribed under section 15 (e) of  
15       the Federal Flood Insurance Act of 1956, as in effect  
16       immediately prior to the enactment of this title,

17       the Secretary determines that the moneys of the fund are in  
18       excess of current needs, he may request the investment of  
19       such amounts as he deems advisable by the Secretary of the  
20       Treasury in obligations issued or guaranteed by the United  
21       States.

22       (d) In the event the Secretary makes a finding in  
23       accordance with the provisions of section 1140 that operation  
24       of the flood insurance program, in whole or in part, should  
25       be carried out through the facilities of the Federal Govern-

1 ment, the fund shall be available for all purposes incident  
2 thereto, including—

3 (1) costs incurred in the adjustment and payment  
4 of any claims for losses, and

5 (2) payment of applicable operating costs set forth  
6 in the schedules prescribed under section 1112,  
7 for so long as the program is so carried out, and in such  
8 event any premiums paid shall be deposited by the Secretary  
9 to the credit of the fund.

10 OPERATING COSTS AND ALLOWANCES

11 SEC. 1112. (a) The Secretary shall from time to time  
12 negotiate with appropriate representatives of the insurance  
13 industry for the purpose of establishing—

14 (1) a current schedule of operating costs applicable  
15 both to risk-sharing insurance companies and other in-  
16 surers and to insurance companies and other insurers,  
17 insurance agents and brokers, and insurance adjustment  
18 organizations participating on other than a risk-sharing  
19 basis, and

20 (2) a current schedule of operating allowances ap-  
21 plicable to risk-sharing insurance companies and other  
22 insurers,

23 which may be payable in accordance with the provisions of  
24 chapter II, and such schedules shall from time to time be  
25 prescribed in regulations.



1 (b) For purposes of subsection (a) —

2 (1) The term “operating costs” shall (without  
3 limiting such term) include—

4 (A) expense reimbursements covering the  
5 direct, actual, and necessary expenses incurred in  
6 connection with selling and servicing flood insurance  
7 coverage;

8 (B) reasonable compensation payable for sell-  
9 ing and servicing flood insurance coverage, or com-  
10 missions or service fees paid to producers;

11 (C) loss adjustment expenses; and

12 (D) other direct, actual, and necessary ex-  
13 penses which the Secretary finds are incurred in  
14 connection with selling or servicing flood insurance  
15 coverage; and

16 (2) the term “operating allowances” shall (with-  
17 out limiting such term) include amounts for profit and  
18 contingencies which the Secretary finds reasonable and  
19 necessary to carry out the purposes of this title.

20 PAYMENT OF CLAIMS

21 SEC. 1113. The Secretary is authorized to prescribe regu-  
22 lations establishing the general method or methods by which  
23 proved and approved claims for losses may be adjusted and  
24 paid for any damage to or loss of property which is covered

1 by flood insurance made available under the provisions  
2 of this title.

3 DISSEMINATION OF FLOOD INSURANCE INFORMATION

4 SEC. 1114. The Secretary shall from time to time take  
5 such action as may be necessary in order to make informa-  
6 tion and data available to the public, and to any State or local  
7 agency or official, with regard to—

8 (1) the flood insurance program, its coverage and  
9 objectives, and

10 (2) estimated and chargeable flood insurance  
11 premium rates, including the basis for and differences  
12 between such rates in accordance with the provisions  
13 of section 1109.

14 PROHIBITION AGAINST CERTAIN DUPLICATIONS OF  
15 BENEFITS

16 SEC. 1115. (a) Notwithstanding the provisions of any  
17 other law, no Federal disaster assistance shall be made avail-  
18 able to any person—

19 (1) for the physical loss, destruction, or damage of  
20 real or personal property, to the extent that such loss,  
21 destruction, or damage is covered by a valid claim which  
22 may be adjusted and paid under flood insurance made  
23 available under the authority of this title, or

24 (2) except in the situation provided for under sub-



1 section (b), for the physical loss, destruction, or damage  
2 of real or personal property, to the extent that such loss,  
3 destruction, or damage could have been covered by a  
4 valid claim under flood insurance which had been made  
5 available under the authority of this title, if—

6 (A) such loss, destruction, or damage occurred  
7 subsequent to one year following the date flood  
8 insurance was made available in the area (or sub-  
9 division thereof) in which such property or the  
10 major part thereof was located, and

11 (B) such property was eligible for flood insur-  
12 ance under this title at that date;

13 and in such circumstances the extent that such loss,  
14 destruction, or damage could have been covered shall  
15 be presumed (for purposes of this subsection) to be an  
16 amount not less than the maximum limit of insurable  
17 loss or damage applicable to such property in such area  
18 (or subdivision thereof), pursuant to regulations under  
19 section 1107, at the time insurance was made available  
20 in such area (or subdivision thereof).

21 (b) In order to assure that the provisions of subsection  
22 (a) (2) will not create undue hardship for low-income per-  
23 sons who might otherwise benefit from the provision of  
24 Federal disaster assistance, the Secretary shall provide by  
25 regulation for the circumstances in which the provisions of

1 subsection (a) (2) shall not be applicable to any such  
2 persons.

3 (c) For purposes of this section, "Federal disaster assist-  
4 ance" shall include any Federal financial assistance which  
5 may be made available to any person as a result of—

6 (1) a major disaster (within the meaning of that  
7 term as determined by the President pursuant to the  
8 Act entitled "An Act to authorize Federal assistance to  
9 State and local governments in major disasters, and  
10 for other purposes", as amended (42 U.S.C. 1855–  
11 1855g) ),

12 (2) a natural disaster, as determined by the Secre-  
13 tary of Agriculture pursuant to section 321 of the Con-  
14 solidated Farmers Home Administration Act of 1961  
15 (7 U.S.C. 1961) , or

16 (3) a disaster with respect to which loans may be  
17 made under section 7 (b) of the Small Business Act (15  
18 U.S.C. 636 (b) ) .

19 (d) For purposes of section 10 of the Disaster Relief  
20 Act of 1966 (80 Stat. 1320) , the term "financial assistance"  
21 shall be deemed to include any flood insurance which is  
22 made available under this title.

23 STATE AND LOCAL LAND USE CONTROLS

24 SEC. 1116. After June 30, 1970, no new flood insurance  
25 coverage shall be provided under this title in any area (or



1 subdivision thereof) unless an appropriate public body shall  
2 have adopted permanent land use and control measures (with  
3 effective enforcement provisions) which the Secretary finds  
4 are consistent with the comprehensive criteria for land man-  
5 agement and use under section 1161.

6 PROPERTIES IN VIOLATION OF STATE AND LOCAL LAW

7 SEC. 1117. No new flood insurance coverage shall be  
8 provided under this title for any property which the Sec-  
9 retary finds has been declared by a duly constituted State  
10 or local zoning authority, or other authorized public body,  
11 to be in violation of State or local laws, regulations, or  
12 ordinances which are intended to discourage or otherwise  
13 restrict land development or occupancy in flood-prone areas.

14 COORDINATION WITH OTHER PROGRAMS

15 SEC. 1118. In carrying out this title, the Secretary shall  
16 consult with other departments and agencies of the Federal  
17 Government, and with interstate, State, and local agencies  
18 having responsibilities for flood control, flood forecasting, or  
19 flood damage prevention, in order to assure to the maximum  
20 extent practicable that the programs of such agencies and  
21 the flood insurance program authorized under this title are  
22 mutually consistent.

23 ADVISORY COMMITTEE

24 SEC. 1119. (a) The Secretary shall appoint a flood in-  
25 surance advisory committee, without regard to the provisions

1 of title 5, United States Code, governing appointments in the  
2 competitive service, and such committee shall advise the  
3 Secretary in the preparation of any regulations prescribed in  
4 accordance with this title and with respect to policy matters  
5 arising in the administration of this title, and shall perform  
6 such other responsibilities as the Secretary may, from time  
7 to time, assign to such committee.

8 (b) Such committee shall consist of not more than fif-  
9 teen persons and such persons shall be selected from among  
10 representatives of—

- 11 (1) the insurance industry,
- 12 (2) State and local governments,
- 13 (3) lending institutions,
- 14 (4) the homebuilding industry, and
- 15 (5) the general public.

16 (c) Members of the committee shall, while attending  
17 conferences or meetings thereof, be entitled to receive com-  
18 pensation at a rate fixed by the Secretary but not exceeding  
19 \$100 per day, including traveltime, and while so serving  
20 away from their homes or regular places of business they  
21 may be allowed travel expenses, including per diem in lieu  
22 of subsistence, as is authorized under section 5703 of title  
23 5, United States Code, for persons in the Government serv-  
24 ice employed intermittently.



1                                    INITIAL PROGRAM LIMITATION

2            SEC. 1120. The face amount of flood insurance coverage  
3 outstanding and in force at any one time under this title  
4 shall not exceed the sum of \$2,500,000,000.

5                                    REPORT TO THE PRESIDENT

6            SEC. 1121. The Secretary shall include a report of opera-  
7 tions under this title in the annual report to the President  
8 for submission to the Congress required by section 8 of the  
9 Department of Housing and Urban Development Act.

10    CHAPTER II—ORGANIZATION AND ADMINISTRA-  
11            TION OF THE FLOOD INSURANCE PROGRAM

12                                    ORGANIZATION AND ADMINISTRATION

13            SEC. 1130. Following such consultation with representa-  
14 tives of the insurance industry as may be necessary, the Sec-  
15 retary shall implement the flood insurance program author-  
16 ized under chapter I in accordance with the provisions of part  
17 A of this chapter and, if a determination is made by him  
18 under section 1140, under part B of this chapter.

19    PART A—INDUSTRY PROGRAM WITH FEDERAL FINAN-  
20                                    CIAL ASSISTANCE

21                                    INDUSTRY FLOOD INSURANCE POOL

22            SEC. 1131. (a) The Secretary is authorized to encourage  
23 and otherwise assist any insurance companies and other in-  
24 surers which meet the requirements prescribed under sub-

1 section (b) to form, associate, or otherwise join together in  
2 a pool—

3 (1) in order to provide the flood insurance cover-  
4 age authorized under chapter I; and

5 (2) for the purpose of assuming, on such terms and  
6 conditions as may be agreed upon, such financial respon-  
7 sibility as will enable such companies and other insurers,  
8 with the Federal financial and other assistance available  
9 under this title, to assume a reasonable proportion of  
10 responsibility for the adjustment and payment of claims  
11 for losses under the flood insurance program.

12 (b) In order to promote the effective administration  
13 of the flood insurance program under this part, and to assure  
14 that the objectives of this title are furthered, the Secretary  
15 is authorized to prescribe appropriate requirements for insur-  
16 ance companies and other insurers participating in such pool  
17 including, but not limited to, minimum requirements for  
18 capital or surplus or assets.

19 AGREEMENTS WITH FLOOD INSURANCE POOL

20 SEC. 1132. (a) The Secretary is authorized to enter into  
21 such agreements with the pool formed or otherwise created  
22 under this part as he deems necessary to carry out the  
23 purposes of this title.

24 (b) Such agreements shall specify—



1           (1) the terms and conditions under which risk  
2 capital will be available for the adjustment and payment  
3 of claims,

4           (2) the terms and conditions under which the pool  
5 (and the companies and other insurers participating  
6 therein) shall participate in premiums received and  
7 profits or losses realized or sustained,

8           (3) the maximum amount of profit, established by  
9 the Secretary and set forth in the schedules prescribed  
10 under section 1112, which may be realized by such pool  
11 (and the companies and other insurers participating  
12 therein),

13           (4) the terms and conditions under which operating  
14 costs and allowances set forth in the schedules prescribed  
15 under section 1112 may be paid, and

16           (5) the terms and conditions under which pre-  
17 mium equalization payments under section 1134 will be  
18 made and reinsurance claims under section 1135 will be  
19 paid.

20           (c) In addition, such agreements shall contain such  
21 provisions as the Secretary finds necessary to assure that—

22           (1) no insurance company or other insurer which  
23 meets the requirements prescribed under section 1131

24           (b), and which has indicated an intention to participate

1 in the flood insurance program on a risk-sharing basis,  
2 will be excluded from participating in the pool,

3 (2) the insurance companies and other insurers par-  
4 ticipating in the pool will take whatever action may be  
5 necessary to provide continuity of flood insurance cover-  
6 age by the pool, and

7 (3) any insurance companies and other insurers,  
8 insurance agents and brokers, and insurance adjustment  
9 organizations will be permitted to cooperate with the  
10 pool as fiscal agents or otherwise, on other than a risk-  
11 sharing basis, to the maximum extent practicable.

12 ADJUSTMENT AND PAYMENT OF CLAIMS AND JUDICIAL  
13 REVIEW

14 SEC. 1133. The insurance companies and other insurers  
15 which form, associate, or otherwise join together in the pool  
16 under this part may adjust and pay all claims for proved and  
17 approved losses covered by flood insurance in accordance  
18 with the provisions of this title and, upon the disallowance  
19 by any such company or other insurer of any such claim, or  
20 upon the refusal of the claimant to accept the amount al-  
21 lowed upon any such claim, the claimant, within one year  
22 after the date of mailing of notice of disallowance or partial  
23 disallowance of the claim, may institute an action on such  
24 claim against such company or other insurer in the United



1 States district court for the district in which the insured  
 2 property or the major part thereof shall have been situated,  
 3 and jurisdiction is hereby conferred upon such court to hear  
 4 and determine such action without regard to the amount in  
 5 controversy.

6                   PREMIUM EQUALIZATION PAYMENTS

7           SEC. 1134. (a) The Secretary, on such terms and condi-  
 8 tions as he may from time to time prescribe, shall make  
 9 periodic payments to the pool formed or otherwise created  
 10 under section 1131, in recognition of such reductions in  
 11 chargeable premium rates under section 1109 below esti-  
 12 mated premium rates under section 1108 (a) (1) as are re-  
 13 quired in order to make flood insurance available on reason-  
 14 able terms and conditions.

15           (b) Such payments shall be based only on the aggregate  
 16 amount of flood insurance retained by the pool after ceding  
 17 reinsurance in accordance with the provisions of section 1135,  
 18 and shall not exceed an aggregate amount in any payment  
 19 period equal to the sum of the following:

20           (1) an amount for losses which bears the same  
 21 ratio to the amount of all proved and approved claims  
 22 for losses under this title during any designated period  
 23 as the amount equal to the difference between—

24           (A) the sum of all premium payments for flood

1 insurance coverage in force under this title during  
2 such designated period which would have been pay-  
3 able during such period if all such coverage were  
4 based on estimated risk premium rates under section  
5 1108 (a) (1) (excluding any administrative ex-  
6 penses which may be reflected in such rates, as  
7 specified in clause (ii) of section 1108 (a) (1)  
8 (B) ), and

9 (B) the sum of the premium payments actually  
10 paid or payable for such insurance under this title  
11 during such period,

12 bears to the amount specified in clause (A) ; and

13 (2) subject to the terms and conditions specified in  
14 the agreements entered into with the pool under section  
15 1132, a proportionate amount for appropriate operating  
16 costs and allowances (as set forth in the schedules pre-  
17 scribed under section 1112) during any designated  
18 period which bears the same ratio to the total amount  
19 of such operating costs and allowances during such  
20 period as the ratio specified in paragraph (1) .

21 (c) Designated periods under this section and the  
22 methods for determining the sum of premiums paid or pay-  
23 able during such periods shall be established by the Sec-  
24 retary.



## 1 REINSURANCE COVERAGE

2 SEC. 1135. (a) The Secretary is authorized to take  
3 such action as may be necessary in order to make available,  
4 to the pool formed or otherwise created under section 1131,  
5 reinsurance for losses (due to claims for proved and approved  
6 losses covered by flood insurance) which are in excess of  
7 losses assumed by such pool in accordance with the excess  
8 loss agreement entered into under subsection (c).

9 (b) Such reinsurance shall be made available pursuant  
10 to contract, agreement, or any other arrangement, in con-  
11 sideration of such payment of a premium, fee, or other charge  
12 as the Secretary finds necessary to cover anticipated losses  
13 and other costs of providing such reinsurance.

14 (c) The Secretary is authorized to negotiate an excess  
15 loss agreement, from time to time, under which the amount  
16 of flood insurance retained by the pool, after ceding rein-  
17 surance, shall be adequate to further the purposes of this  
18 title, consistent with the objective of maintaining appropriate  
19 financial participation and risk sharing to the maximum ex-  
20 tent practicable on the part of participating insurance com-  
21 panies and other insurers.

22 (d) All reinsurance claims for losses in excess of losses  
23 assumed by the pool shall be submitted on a portfolio basis  
24 by such pool in accordance with terms and conditions estab-  
25 lished by the Secretary.

## 1       PART B—GOVERNMENT PROGRAM WITH INDUSTRY

## 2                       ASSISTANCE

## 3                       FEDERAL OPERATION OF THE PROGRAM

4       SEC. 1140. (a) If at any time, after consultation with  
5 representatives of the insurance industry, the Secretary deter-  
6 mines that operation of the flood insurance program as pro-  
7 vided under part A cannot be carried out, or that such opera-  
8 tion, in itself, would be assisted materially by the Federal  
9 Government's assumption, in whole or in part, of the opera-  
10 tional responsibility for flood insurance under this title (on a  
11 temporary or other basis), he shall promptly undertake any  
12 necessary arrangements to carry out the program of flood  
13 insurance authorized under chapter I through the facilities of  
14 the Federal Government, utilizing, as may be practicable for  
15 purposes of providing flood insurance coverage, insurance  
16 companies and other insurers, insurance agents and brokers,  
17 and insurance adjustment organizations, as fiscal agents of  
18 the United States.

19       (b) Upon making the determination referred to in sub-  
20 section (a), and at least thirty days prior to implementing  
21 the program of flood insurance authorized under chapter I  
22 through the facilities of the Federal Government, the Secre-  
23 tary shall make a report to the Congress and such report  
24 shall—



1           (1) state the reasons for such determination,  
2           (2) be supported by pertinent findings,  
3           (3) indicate the extent to which it is anticipated  
4 that the insurance industry will be utilized in providing  
5 flood insurance coverage under the program, and  
6           (4) contain such recommendations as the Secretary  
7 deems advisable.

8 ADJUSTMENT AND PAYMENT OF CLAIMS AND JUDICIAL  
9 REVIEW

SEC. 1141. In the event the program is carried out as provided in section 1140, the Secretary shall be authorized to adjust and make payment of any claims for proved and approved losses covered by flood insurance, and upon the disallowance by the Secretary of any such claim, or upon the refusal of the claimant to accept the amount allowed upon any such claim, the claimant, within one year after the date of mailing of notice of disallowance or partial disallowance by the Secretary, may institute an action against the Secretary on such claim in the United States district court for the district in which the insured property or the major part thereof shall have been situated, and jurisdiction is hereby conferred upon such court to hear and determine such action without regard to the amount in controversy.

## 1 PART C—PROVISIONS OF GENERAL APPLICABILITY

## 2 SERVICES BY INSURANCE INDUSTRY

3 SEC. 1145. (a) In administering the flood insurance  
4 program under this chapter, the Secretary is authorized to  
5 enter into any contracts, agreements, or other appropriate ar-  
6 rangements which may, from time to time, be necessary for  
7 the purpose of utilizing, on such terms and conditions as may  
8 be agreed upon, the facilities and services of any insurance  
9 companies or other insurers, insurance agents and brokers, or  
10 insurance adjustment organizations; and such contracts,  
11 agreements, or arrangements may include provision for pay-  
12 ment of applicable operating costs and allowances for such  
13 facilities and services as set forth in the schedules prescribed  
14 under section 1112.

15 (b) Any such contracts, agreements, or other arrange-  
16 ments may be entered into without regard to the provisions  
17 of section 3709 of the Revised Statutes (41 U.S.C. 5) or  
18 any other provision of law requiring competitive bidding.

19 USE OF INSURANCE POOL, COMPANIES, OR OTHER PRIVATE  
20 ORGANIZATIONS FOR CERTAIN PAYMENTS

21 SEC. 1146. (a) In order to provide for maximum effi-  
22 ciency in the administration of the flood insurance program  
23 and in order to facilitate the expeditious payment of any



1 Federal funds under such program, the Secretary may enter  
2 into contracts with pool formed or otherwise created under  
3 section 1131, or any insurance company or other private  
4 organization, for the purpose of securing performance by such  
5 pool, company, or organization of any or all of the following  
6 responsibilities:

7 (1) estimating and later determining any amounts  
8 of payments to be made;

9 (2) receiving from the Secretary, disbursing, and  
10 accounting for funds in making such payments;

11 (3) making such audits of the records of any insur-  
12 ance company or other insurer, insurance agent or  
13 broker, or insurance adjustment organization as may be  
14 necessary to assure that proper payments are made; and

15 (4) otherwise assisting in such manner as the con-  
16 tract may provide to further the purposes of this title.

17 (b) Any contract with the pool or an insurance com-  
18 pany or other private organization under this section may  
19 contain such terms and conditions as the Secretary finds  
20 necessary or appropriate for carrying out responsibilities  
21 under subsection (a), and may provide for payment of any  
22 costs which the Secretary determines are incidental to carry-  
23 ing out such responsibilities which are covered by the  
24 contract.

25 (c) Any contract entered into under subsection (a)

1 may be entered into without regard to section 3709 of the  
2 Revised Statutes (41 U.S.C. 5) or any other provision of  
3 law requiring competitive bidding.

4 (d) No contract may be entered into under this section  
5 unless the Secretary finds that the pool, company, or orga-  
6 nization will perform its obligations under the contract effi-  
7 ciently and effectively, and will meet such requirements as  
8 to financial responsibility, legal authority, and other matters  
9 as he finds pertinent.

10 (e) (1) Any such contract may require the pool, com-  
11 pany, or organization or any of its officers or employees  
12 certifying payments or disbursing funds pursuant to the  
13 contract, or otherwise participating in carrying out the  
14 contract, to give surety bond to the United States in such  
15 amount as the Secretary may deem appropriate.

16 (2) No individual designated pursuant to a contract  
17 under this section to certify payments shall, in the absence  
18 of gross negligence or intent to defraud the United States, be  
19 liable with respect to any payment certified by him under  
20 this section.

21 (3) No officer disbursing funds shall, in the absence of  
22 gross negligence or intent to defraud the United States, be  
23 liable with respect to any payment by him under this section  
24 if it was based upon a voucher signed by an individual desig-



1 nated to certify payments as provided in paragraph (2) of  
2 this subsection.

3 (f) Any contract entered into under this section shall  
4 be for a term of one year, and may be made automatically  
5 renewable from term to term in the absence of notice by  
6 either party of an intention to terminate at the end of the  
7 current term; except that the Secretary may terminate any  
8 such contract at any time (after reasonable notice to the  
9 pool, company, or organization involved) if he finds that  
10 the pool, company, or organization has failed substantially  
11 to carry out the contract, or is carrying out the contract  
12 in a manner inconsistent with the efficient and effective  
13 administration of the flood insurance program authorized  
14 under this title.

15 SETTLEMENT AND ARBITRATION

16 SEC. 1147. (a) The Secretary is authorized to make  
17 final settlement of any claims or demands which may arise  
18 as a result of any financial transactions which he is author-  
19 ized to carry out under this chapter, and may, to assist him  
20 in making any such settlement, refer any disputes relating  
21 to such claims or demands to arbitration, with the consent  
22 of the parties concerned.

1       (b) Such arbitration shall be advisory in nature, and  
2 any award, decision, or recommendation which may be  
3 made shall become final only upon the approval of the  
4 Secretary.

5                       RECORDS AND AUDITS

6       SEC. 1148. (a) The flood insurance pool formed or  
7 otherwise created under part A of this chapter, and any insur-  
8 ance company or other private organization executing any  
9 contract, agreement, or other appropriate arrangement with  
10 the Secretary under part B of this chapter or this part, shall  
11 keep such records as the Secretary shall prescribe, including  
12 records which fully disclose the total costs of the program  
13 undertaken or the services being rendered, and such other  
14 records as will facilitate an effective audit.

15       (b) The Secretary and the Comptroller General of the  
16 United States, or any of their duly authorized representatives,  
17 shall have access for the purpose of audit and examination to  
18 any books, documents, papers, and records of the pool and  
19 any such insurance company or other private organization  
20 that are pertinent to the costs of the program undertaken or  
21 the services being rendered.



1 CHAPTER III—COORDINATION OF FLOOD INSUR-  
2 ANCE WITH LAND-MANAGEMENT PRO-  
3 GRAMS IN FLOOD-PRONE AREAS

4 IDENTIFICATION OF FLOOD-PRONE AREAS

5 SEC. 1160. The Secretary is authorized to consult with,  
6 receive information from, and enter into any agreements  
7 or other arrangements with the Secretaries of the Army, the  
8 Interior, Agriculture, and Commerce, the Tennessee Valley  
9 Authority, and the heads of other Federal departments or  
10 agencies, on a reimbursement basis, or with the head of any  
11 State or local agency, in order that he may—

12 (1) identify and publish information with respect  
13 to all flood plain areas, including coastal areas located  
14 in the United States, which have special flood hazards,  
15 within five years following the date of the enactment of  
16 this Act, and

17 (2) establish flood-risk zones in all such areas, and  
18 make estimates with respect to the rates of probable  
19 flood-caused loss for the various flood-risk zones for  
20 each of these areas, within fifteen years following such  
21 date.

22 CRITERIA FOR LAND MANAGEMENT AND USE

23 SEC. 1161. (a) The Secretary is authorized to carry out  
24 studies and investigations, utilizing to the maximum extent  
25 practicable the existing facilities and services of other Fed-

1 eral departments or agencies, and State and local govern-  
2 mental agencies, and any other organizations, with respect to  
3 the adequacy of State and local measures in flood-prone  
4 areas as to land management and use, flood control, flood  
5 zoning, and flood damage prevention, and may enter into  
6 any contracts, agreements, or other appropriate arrangements  
7 to carry out such authority.

8 (b) Such studies and investigations shall include, but  
9 not be limited to, laws, regulations, or ordinances relating to  
10 encroachments and obstructions on stream channels and  
11 floodways, the orderly development and use of flood plains  
12 of rivers or streams, floodway encroachment lines, and flood  
13 plain zoning, building codes, building permits, and subdivi-  
14 sion or other building restrictions.

15 (c) On the basis of such studies and investigations, and  
16 such other information as he deems necessary, the Secre-  
17 tary shall from time to time develop comprehensive criteria  
18 designed to encourage, where necessary, the adoption of  
19 permanent State and local measures which, to the maximum  
20 extent feasible, will—

21 (1) constrict the development of land which is ex-  
22 posed to flood damage where appropriate,

23 (2) guide the development of proposed construc-  
24 tion away from locations which are threatened by flood  
25 hazards,



- 1           (3) assist in reducing damage caused by floods, and  
2           (4) otherwise improve the long-range land man-  
3           agement and use of flood-prone areas,  
4   and he shall work closely with and provide any necessary  
5   technical assistance to State, interstate, and local govern-  
6   mental agencies, to encourage the application of such criteria  
7   and the adoption and enforcement of such measures.

8           PURCHASE OF CERTAIN INSURED PROPERTIES

9           SEC. 1162. The Secretary may, when he determines that  
10   the public interest would be served thereby, enter into nego-  
11   tiations with any owner of real property or interest therein  
12   which—

13           (1) was located in any flood-risk area, as deter-  
14   mined by the Secretary,

15           (2) was covered by flood insurance under the flood  
16   insurance program authorized under this title, and

17           (3) was damaged substantially beyond repair by  
18   flood while so covered,

19   and may purchase such property or interests therein, for sub-  
20   sequent transfer, by sale, lease, donation, or otherwise, to  
21   any State or local agency which enters into an agreement  
22   with the Secretary that such property shall, for a period not  
23   less than forty years following transfer, be used for only such  
24   purposes as the Secretary may, by regulation, determine to

1 be consistent with sound land management and use in such  
2 area.

3 CHAPTER IV—APPROPRIATIONS AND  
4 MISCELLANEOUS PROVISIONS

5 DEFINITIONS

6 SEC. 1170. As used in this title—

7 (1) the term “flood” shall have such meaning as  
8 may be prescribed in regulations of the Secretary, and  
9 may include inundation from rising waters or from the  
10 overflow of streams, rivers, or other bodies of water,  
11 or from tidal surges, abnormally high tidal water, tidal  
12 waves, tsunamis, hurricanes, or other severe storms or  
13 deluge;

14 (2) the terms “United States” (when used in a  
15 geographic sense) and “State” includes the several  
16 States, the District of Columbia, the territories and  
17 possessions, the Commonwealth of Puerto Rico, and the  
18 Trust Territory of the Pacific Islands;

19 (3) the terms “insurance company”, “other in-  
20 surer”, and “insurance agent or broker” include any  
21 organizations and persons authorized to engage in the  
22 insurance business under the laws of any State;

23 (4) the term “insurance adjustment organization”  
24 includes any organizations and persons engaged in the



1 business of adjusting loss claims arising under insurance  
2 policies issued by any insurance company or other  
3 insurer;

4 (5) the term "person" includes any individual or  
5 group of individuals, corporation, partnership, associa-  
6 tion, or any other organized group of persons, including  
7 State and local governments and agencies thereof; and

8 (6) the term "Secretary" means the Secretary of  
9 Housing and Urban Development.

10 STUDIES OF OTHER NATURAL DISASTERS

11 SEC. 1171. (a) The Secretary is authorized to undertake  
12 such studies as may be necessary for the purpose of deter-  
13 mining the extent to which insurance protection against  
14 earthquakes or any other natural disaster perils, other than  
15 flood, is not available from public or private sources, and the  
16 feasibility of such insurance protection being made available.

17 (b) Studies under this section shall be carried out, to  
18 the maximum extent practicable, with the cooperation of  
19 other Federal departments and agencies and State and local  
20 agencies, and the Secretary is authorized to consult with,  
21 receive information from, and enter into any necessary  
22 agreements or other arrangements with such other Federal  
23 departments and agencies (on a reimbursement basis) and  
24 such State and local agencies.

## PAYMENTS

SEC. 1172. Any payments under this title may be made (after necessary adjustment on account of previously made underpayments or overpayments) in advance or by way of reimbursement, and in such installments and on such conditions, as the Secretary may determine.

## GOVERNMENT CORPORATION CONTROL ACT

SEC. 1173. The provisions of the Government Corporation Control Act shall apply to the program authorized under this title to the same extent as they apply to wholly owned Government corporations.

## FINALITY OF CERTAIN FINANCIAL TRANSACTIONS

SEC. 1174. Notwithstanding the provisions of any other law—

(1) any financial transaction authorized to be carried out under this title, and

(2) any payment authorized to be made or to be received in connection with any such financial transaction, shall be final and conclusive upon all officers of the Government.

## ADMINISTRATIVE EXPENSES

SEC. 1175. Any administrative expenses which may be sustained by the Federal Government in carrying out the



1 flood insurance program authorized under this title may be  
2 paid out of appropriated funds.

## 3 APPROPRIATIONS

4 SEC. 1176. (a) There are hereby authorized to be ap-  
5 propriated such sums as may from time to time be necessary  
6 to carry out this title, including sums—

7           (1) to cover administrative expenses authorized  
8           under section 1175;

9                   (2) to reimburse the National Flood Insurance  
10       Fund established under section 1111 for—

11 (A) premium equalization payments under sec-  
12 tion 1134 which have been made from such fund;  
13 and

14                    (B) reinsurance claims paid under the excess  
15                    loss reinsurance coverage provided under section  
16                    1135; and

17 (3) to make such other payments as may be neces-  
18 sary to carry out the purposes of this title.

(b) All such funds shall be available without fiscal year limitation.

TITLE XII—MORTGAGE INSURANCE FOR  
NONPROFIT HOSPITALS

AMENDMENT TO NATIONAL HOUSING ACT

SEC. 1201. Title II of the National Housing Act is amended by adding at the end thereof (after the new section added by section 307 of this Act) the following new section:

“MORTGAGE INSURANCE FOR NONPROFIT HOSPITALS

“SEC. 242. (a) The purpose of this section is to assist the provision of urgently needed hospitals for the care and treatment of persons who are acutely ill or who otherwise require medical care and related services of the kind customarily furnished only (or most effectively) by hospitals.

“(b) For the purposes of this section—

“(1) the term ‘hospital’ means a facility—

“(A) which provides community service for inpatient medical care of the sick or injured (including obstetrical care) ;

“(B) not more than 50 per centum of the total patient days of which during any year are customar-



1           ily assignable to the categories of chronic conva-  
2           lescent and rest, drug and alcoholic, epileptic, men-  
3           tally deficient, mental, nervous and mental, and  
4           tuberculosis; and

5           “(C) which is owned and operated by one or  
6           more nonprofit corporations or associations no part  
7           of the net earnings of which inures, or may lawfully  
8           inure, to the benefit of any private shareholder or  
9           individual; and

10          “(2) the terms ‘mortgage’ and ‘mortgagor’ shall  
11          have the meanings respectively set forth in section  
12          207 (a) of this Act, except that the mortgage, by the  
13          same instrument or by a separate instrument, may  
14          create a security interest in initial equipment, whether  
15          or not attached to the realty.

16          “(c) The Secretary is authorized to insure any mort-  
17          gage (including advances on such mortgage during construc-  
18          tion) in accordance with the provisions of this section upon  
19          such terms and conditions as he may prescribe and to make  
20          commitments for insurance of such mortgage prior to the  
21          date of its execution or disbursement thereon.

22          “(d) In order to carry out the purpose of this section,  
23          the Secretary is authorized to insure any mortgage which  
24          covers a new or rehabilitated hospital, including equipment

1 to be used in its operation, subject to the following  
2 conditions:

3 “(1) The mortgage shall be executed by a mortgagor  
4 approved by the Secretary. The Secretary may in his dis-  
5 cretion require any such mortgagor to be regulated or re-  
6 stricted as to charges and methods of financing, and, in  
7 addition thereto, if the mortgagor is a corporate entity, as to  
8 capital structure and rate of return. As an aid to the regula-  
9 tion or restriction of any mortgagor with respect to any of  
10 the foregoing matters, the Secretary may make such con-  
11 tracts with and acquire for not to exceed \$100 such stock  
12 or interest in such mortgagor as he may deem necessary.  
13 Any stock or interest so purchased shall be paid for out of  
14 the General Insurance Fund, and shall be redeemed by the  
15 mortgagor at par upon the termination of all obligations  
16 of the Secretary under the insurance.

17 “(2) The mortgage shall involve a principal obligation  
18 in an amount not to exceed \$25,000,000, and not to exceed  
19 90 per centum of the estimated replacement cost of the  
20 property or project, including equipment to be used in the  
21 operation of the hospital, when the proposed improvements  
22 are completed and the equipment is installed.

23 “(3) The mortgage shall—



1           “(A) provide for complete amortization by periodic  
2       payments within such term as the Secretary shall pre-  
3       scribe, and

4           “(B) bear interest (exclusive of premium charges  
5       for insurance and service charges, if any) at not to ex-  
6       ceed such per centum per annum (not in excess of 6  
7       per centum), on the amount of the principal obligation  
8       outstanding at any time, as the Secretary finds neces-  
9       sary to meet the mortgage market.

10          “(4) The Secretary shall not insure any mortgage under  
11       this section unless he has received, from the State agency  
12       designated in accordance with section 604 (a) (1) of the  
13       Public Health Service Act for the State in which is located  
14       the hospital covered by the mortgage, a certification that (1)  
15       there is a need for such hospital, and (2) there are in force  
16       in such State or the political subdivision of the State in which  
17       the proposed hospital would be located reasonable minimum  
18       standards of licensure and methods of operation for hospitals.  
19       No such mortgage shall be insured under this section unless  
20       the Secretary has received such assurance as he may deem  
21       satisfactory from the State agency that such standards will  
22       be applied and enforced with respect to any hospital located  
23       in the State for which mortgage insurance is provided under  
24       this section.

25          “(e) The Secretary may consent to the release of a part

1 or parts of the mortgaged property or project from the lien  
2 of any mortgage insured under this section upon such terms  
3 and conditions as he may prescribe.

4 “(f) The activities and functions provided for in this  
5 section shall be carried out by the agencies involved so as  
6 to encourage programs that undertake responsibility to pro-  
7 vide comprehensive health care, including outpatient and  
8 preventive care, as well as hospitalization, to a defined popu-  
9 lation.

10 “(g) The provisions of subsections (d), (e), (g),  
11 (h), (i), (j), (k), (l), and (n) of section 207 shall apply  
12 to mortgages insured under this section and all references  
13 therein to section 207 shall be deemed to refer to this  
14 section.”

#### 15 LABOR STANDARDS

16 SEC. 1202. Section 212 (a) of the National Hous-  
17 ing Act is amended by inserting after the fifth sentence the  
18 following new sentence: “The provisions of this section shall  
19 also apply to the insurance of any mortgage under section  
20 242, except that compliance with such provisions may be  
21 waived by the Secretary in cases or classes of cases where  
22 laborers or mechanics, not otherwise employed at any time  
23 on the project, voluntarily donate their services without com-  
24 pensation for the purpose of lowering the costs of construc-  
25 tion and the Secretary determines that any amounts thereby



1 saved are fully credited to the nonprofit corporation or asso-  
2 ciation undertaking the construction; and each laborer or  
3 mechanic employed on any facility covered by a mortgage  
4 insured under section 242 shall receive compensation at a  
5 rate not less than one and one-half times his basic rate of pay  
6 for all hours worked in any workweek in excess of eight  
7 hours in any workday or forty hours in the workweek, as the  
8 case may be.”

9 TITLE XIII—HOUSING GOALS AND ANNUAL  
10 HOUSING REPORT

11 REAFFIRMATION OF GOAL

12 SEC. 1301. The Congress finds that the supply of the  
13 Nation’s housing is not increasing rapidly enough to meet  
14 the national housing goal, established in the Housing Act  
15 of 1949, of the “realization as soon as feasible of the goal  
16 of a decent home and a suitable living environment for every  
17 American family”. The Congress reaffirms this national  
18 housing goal and determines that it should be met within  
19 the next decade by the construction or rehabilitation of  
20 twenty-six million housing units, six million of these for  
21 low and moderate income families

22 ANNUAL HOUSING REPORT

23 SEC. 1302. The Secretary of Housing and Urban De-  
24 velopment shall annually submit to the President and to  
25 the Council of Economic Advisers in time to provide basic

1 material for the Economic Report of the President a re-  
 2 port of (1) his estimate of the number of standard housing  
 3 units produced through new construction and rehabilitation,  
 4 private and public, in the preceding year, (2) his estimate  
 5 of the number of such units produced for low and moderate  
 6 income families, (3) his assessment of whether the ten-  
 7 year housing goal set forth above is being met, (4) his  
 8 recommendation of the current annual goal to meet the ten-  
 9 year goal, and (5) his recommendations of the legislative  
 10 and administrative actions necessary to achieve the ten-year  
 11 goal.

## 12 TITLE XIV—MISCELLANEOUS

### 13 MODEL CITIES

14 SEC. 1401. (a) Section 111 (a) of the Demonstration  
 15 Cities and Metropolitan Development Act of 1966 is  
 16 amended—

17 (1) by striking out “and” the second time it ap-  
 18 pears; and

19 (2) by inserting before the period at the end thereof  
 20 “, and not to exceed \$12,000,000 for the fiscal year  
 21 ending June 30, 1969”.

22 (b) Section 111 (b) of such Act is amended—

23 (1) by striking out “and” the third time it appears;  
 24 and

25 (2) by inserting before the period at the end thereof



1 “, and not to exceed \$1,000,000,000 for the fiscal year  
2 ending June 30, 1970”.

3 (c) Section 111 (c) of such Act is amended to read as  
4 follows:

5 “(c) Any amounts appropriated under this section shall  
6 remain available until expended, and any amounts author-  
7 ized for any fiscal year under this section but not appropri-  
8 ated may be appropriated for any succeeding fiscal year  
9 commencing prior to July 1, 1970.”

10 URBAN RENEWAL DEMONSTRATION GRANT PROGRAM

11 SEC. 1402. (a) Section 314 (a) of the Housing Act of  
12 1954 is amended—

13 (1) by striking out in the first sentence “to public  
14 bodies, including cities and other political subdivisions,”  
15 and inserting in lieu thereof “to public bodies (includ-  
16 ing cities and other political subdivisions) and nonprofit  
17 organizations,”;

18 (2) by inserting after the first sentence the follow-  
19 ing: “In the case of any such grant to a nonprofit orga-  
20 nization, the Secretary shall require that the assisted ac-  
21 tivities and undertakings are not inconsistent with the  
22 program of the local public agency.”; and

23 (3) by striking out in the second sentence “No such  
24 grant shall exceed two-thirds of the cost, as determined

1 or estimated by said Secretary, of such activities or  
2 undertakings,” and inserting in lieu thereof the follow-  
3 ing: “No such grant shall exceed 90 per centum of the  
4 cost, as determined or estimated by the Secretary, of  
5 the assisted activities or undertakings,”.

6 (b) Section 314 (c) of such Act is amended by striking  
7 out “\$10,000,000” and inserting in lieu thereof “\$20,-  
8 000,000”.

9 AUTHORIZATION FOR URBAN INFORMATION AND

10 TECHNICAL ASSISTANCE SERVICES PROGRAM

11 SEC. 1403. (a) The first sentence of section 906 of the  
12 Demonstration Cities and Metropolitan Development Act of  
13 1966 is amended by striking out “and not to exceed \$5,000,-  
14 000 for the fiscal year ending June 30, 1968” and inserting  
15 in lieu thereof “not to exceed \$5,000,000 for each of the  
16 fiscal years 1968 and 1969, and not to exceed \$15,000,000  
17 for fiscal year 1970”.

18 (b) The second sentence of section 906 of such Act is  
19 amended to read as follows: “Any amounts appropriated  
20 under this section shall remain available until expended, and  
21 any amounts authorized for any fiscal year under this section  
22 but not appropriated may be appropriated for any succeeding  
23 fiscal year commencing prior to July 1, 1970.”



1 ADVANCES IN TECHNOLOGY IN HOUSING AND URBAN  
2 DEVELOPMENT

3        SEC. 1404. (a) Section 1010(d) of the Demonstration  
4        Cities and Metropolitan Development Act of 1966 is  
5        amended by inserting before the period at the end of the  
6        first sentence the following: “, which amounts shall be in-  
7        creased in subsequent fiscal years by such sums as may be  
8        necessary”.

9           (b) Section 1010 (c) of such Act is amended by strik-  
10   ing out “two years” in the second sentence and inserting in  
11   lieu thereof “three years”.

## 12 COLLEGE HOUSING

13 SEC. 1405. (a) The heading of section 401 of the  
14 Housing Act of 1950 is amended by striking out "LOANS"  
15 and inserting in lieu thereof "ASSISTANCE IN THE FORM OF  
16 LOANS OR ANNUAL GRANTS".

(b) Section 401 (a) of such Act is amended to read  
as follows:

19       “(a) To assist educational institutions in providing  
20 housing and other educational facilities for students and  
21 faculties, the Secretary may make loans of funds to such  
22 institutions for the construction or purchase of such facilities  
23 or may, as an alternative to all or part of the loan (in the  
24 case of any such institution), make annual grants to the  
25 institution to reduce the cost of its borrowing from other

1 sources for such construction or purchase: *Provided*, That  
2 no such assistance shall be provided unless (1) the educa-  
3 tional institution involved is unable to secure the necessary  
4 funds for the construction or purchase from other sources  
5 upon terms and conditions equally as favorable as the terms  
6 and conditions applicable to loans under this title, and (2)  
7 the Secretary finds that any such construction will be under-  
8 taken in an economical manner, and that any such facilities  
9 are not or will not be of elaborate or extravagant design or  
10 materials.”

11 (c) Section 401 (c) of such Act is amended—

12 (1) by inserting “(1)” after “(c)”;

13 (2) by striking out “of (1)” and “or (2)” and  
14 inserting in lieu thereof “of (A)” and “or (B)”, respec-  
15 tively; and

16 (3) by adding at the end thereof the following new  
17 paragraph:

18 “(2) Annual grants to an educational institution with  
19 respect to any housing or other educational facilities shall be  
20 made over a fixed period not exceeding 40 years, and  
21 provision for such grants shall be embodied in a contract  
22 guaranteeing their payment over such period. Each such  
23 grant shall be in an amount equal to the difference between  
24 (A) the average annual debt service which would be required  
25 to be paid, during the life of the loan, on the amount bor-



1 rowed from other sources for the construction of such facili-  
2 ties, and (B) the average annual debt service which the  
3 institution would have been required to pay, during the  
4 life of the loan, with respect to such amounts if the applicable  
5 interest rate were the rate specified in paragraph (1) :  
6 *Provided*, That the amount on which such grant is based  
7 shall be approved by the Secretary but in no event shall  
8 exceed the total development cost of the facilities.”

9 (d) Section 401 (d) of such Act is amended by insert-  
10 ing “(1)” after “(d)”, and by adding at the end thereof  
11 the following new paragraph:

12 “(2) There are hereby authorized to be appropriated  
13 to the Secretary such sums as may be necessary, together  
14 with loan principal and interest payments made by educa-  
15 tional institutions assisted with loans made hereunder, for  
16 payments on notes or other obligations issued by the Secre-  
17 tary under this section.”

18 (e) Section 401 (f) of such Act is amended to read as  
19 follows:

20 “(f) (1) There are hereby authorized to be appropri-  
21 ated to the Secretary such sums as may be necessary for the  
22 payment of annual grants to educational institutions in ac-  
23 cordance with this section.

24 “(2) Contracts for annual grants under this section shall  
25 not be entered into in an aggregate amount greater than is

1 authorized in appropriation Acts; and in any event the total  
2 amount of annual grants which may be paid to educational  
3 institutions in any year pursuant to contracts entered into  
4 under this section shall not exceed \$10,000,000, which  
5 amount shall be increased by \$10,000,000 on July 1, 1969.”

6 (f) Section 403 of such Act is amended by striking  
7 out “the funds provided for in this title in the form of loans”  
8 and inserting in lieu thereof “the amount of the funds pro-  
9 vided for in this title in the form of loans, and not more than  
10  $12\frac{1}{2}$  per centum of the funds provided for in this title for  
11 grants,”.

12 (g) (1) Section 401 (g) of such Act is amended to  
13 read as follows:

14 “(g) Except as otherwise provided in the second para-  
15 graph of section 404 (b), in the case of any loan which is  
16 made under this section to a nonprofit student housing co-  
17 operative corporation referred to in clause (5) of section  
18 404 (b), or which is obtained from other sources by such a  
19 corporation and is the subject of a contract for annual grants  
20 entered into under this section, the Secretary shall require  
21 that the note securing such loan be cosigned by the educa-  
22 tional institution (referred to in clause (1) of such section)  
23 at which such corporation is located, and that, in the event  
24 of the dissolution of such corporation, title to the housing



1 constructed with such loan will vest in such educational  
2 institution.”

3 (2) Clause (3) (B) of section 404 (b) of such Act is  
4 amended by striking out “of any loan secured under this  
5 title” and inserting in lieu thereof the following: “of any  
6 loan which is made under section 401, or is the subject of a  
7 contract for annual grants entered into under section 401,”.

8 (3) Clause (4) of section 404 (b) of such Act is  
9 amended by striking out “to obtain loans” and inserting in  
10 lieu thereof “to obtain loans or grants”.

11 (4) The second paragraph of section 404 (b) of such  
12 Act is amended by inserting after “clause (5) of this sub-  
13 section,” the following: “and in the case of any loan which  
14 is obtained from other sources by such a corporation and  
15 is the subject of a contract for annual grants entered into  
16 under section 401,”.

17 (h) Section 404 (c) of such Act is amended by in-  
18 serting before the period at the end thereof the following:  
19 “; except that in the case of the purchase of facilities such  
20 term means the cost as approved by the Secretary”.

21 **HOUSING FOR THE ELDERLY**

22 **SEC. 1406.** (a) Section 202 (a) of the Housing Act of  
23 1959 is amended—

24 (1) by inserting in paragraph (1) after “corpora-  
25 tions,” the following: “limited profit sponsors,”;

(2) by inserting in paragraph (2) after “(as defined in subsection (d) (2) ),” the following: “to any limited profit sponsor approved by the Secretary,”; and

(3) by inserting in paragraph (3) after “Secretary” the following: “, except that in the case of other than a corporation, consumer cooperative, or public body or agency the amount of the loan shall not exceed 90 per centum of the development cost”.

(b) Section 202 (c) (3) of such Act is amended by striking out “full”.

#### FEDERAL-STATE TRAINING PROGRAMS

SEC. 1407. (a) Title VIII of the Housing Act of 1964 is amended—

(1) by inserting after “urban centers,” in section 801 (b) the following: “and with business firms and associations, labor unions, and other interested associations and organizations,”;

(2) by striking out “technical and professional people” in sections 801 (b) (1) and 802 (a) (1) and inserting in lieu thereof “technical, professional, and other persons with the capacity to master and employ such skills”; and

(3) by inserting after “which has responsibility for community development” in sections 801 (b) (1) and 802 (a) (1) the following: “, or by a private non-



1 profit organization which is conducting or has responsi-  
2 bility for housing and community development pro-  
3 grams”.

4 (b) Section 805 of such Act is amended by inserting  
5 “Guam, American Samoa, the Trust Territory of the Pacific  
6 Islands,” after “the Commonwealth of Puerto Rico,”.

7 ADDITIONAL ASSISTANT SECRETARY OF HOUSING AND  
8 URBAN DEVELOPMENT

9 SEC. 1408. (a) The first sentence of section 4 (a) of  
10 the Department of Housing and Urban Development Act is  
11 amended by striking out “five” and inserting in lieu thereof  
12 “six”.

13 (b) Paragraph (87) of section 5315 of title 5, United  
14 States Code, is amended by striking out “(4)” and inserting  
15 in lieu thereof “(6)”.

16 INTERNATIONAL HOUSING

17 SEC. 1409. Section 604 of the Housing Act of 1957 is  
18 amended to read as follows:

19 “SEC. 604. (a) The Secretary of Housing and Urban  
20 Development may exchange data relating to housing and  
21 urban planning and development with other nations and  
22 assemble such data from other nations, through participation  
23 in international conferences and other means, where such ex-  
24 change or assembly is deemed by him to be beneficial in  
25 carrying out his responsibilities under the Department of

1 Housing and Urban Development Act or other legislation.  
2 In carrying out his responsibilities under this subsection the  
3 Secretary may—

4 “(1) pay the expenses of participation in activi-  
5 ties conducted under authority of this section including,  
6 but not limited to, the compensation, travel expenses, and  
7 per diem in lieu of subsistence of persons serving in an  
8 advisory capacity while away from their homes or reg-  
9 ular places of business in connection with attendance at  
10 international meetings and conferences, or other travel  
11 for the purpose of exchange or assembly of data relating  
12 to housing and urban planning and development; but  
13 such travel expenses shall not exceed those authorized  
14 for regular officers and employees traveling in connec-  
15 tion with said activities; and

16 “(2) accept from international organizations, for-  
17 eign countries, and private nonprofit foundations, funds,  
18 services, facilities, materials, and other donations to be  
19 utilized jointly in carrying out activities under this  
20 section.

21 “(b) International programs and activities carried out  
22 by the Secretary under the authority provided in subsection  
23 (a) shall be subject to the approval of the Secretary of  
24 State for the purpose of assuring that such authority shall



1 be exercised in a manner consistent with the foreign policy  
2 of the United States.”

3 LOW-RENT PUBLIC HOUSING—CORPORATE STATUS

4 SEC. 1410. (a) The first sentence of section 3 of the  
5 United States Housing Act of 1937 is amended by striking  
6 out “a body corporate of perpetual duration to be known as”.

7 (b) Section 17 of such Act is repealed. The capital stock  
8 referred to in such section shall be retired, and the sum of  
9 \$1,000,000 represented by such stock shall be returned to  
10 the Treasury of the United States.

11 (c) Such Act is amended by inserting after section 16  
12 a new section 17 as follows:

13 “SEC. 17. In the performance of, and with respect to, his  
14 functions, powers, and duties under this Act, the Secretary  
15 shall have (in addition to any authority otherwise vested in  
16 him) the functions, powers, and duties set forth in subsec-  
17 tions (a), (b), and (e) of section 402 of the Housing  
18 Act of 1950.”

19 (d) Section 101 of the Government Corporation Control  
20 Act is amended by striking out “United States Housing  
21 Authority and including public housing projects financed  
22 through appropriated funds and operations thereof;”.

23 ELIGIBILITY FOR RENT SUPPLEMENT PAYMENTS

24 SEC. 1411. Notwithstanding any other provision of law  
25 respecting the date after which a mortgage must have been

1 approved for mortgage insurance under section 221 (d) (3)  
2 of the National Housing Act, the Secretary of Housing and  
3 Urban Development is authorized to make, and contract to  
4 make, rent supplement payments under the provisions of  
5 section 101 of the Housing and Urban Development Act of  
6 1965 to the owners of the housing projects known as the  
7 114th Street rehabilitation project and the 114th Street  
8 rehabilitation project numbered 2, in New York City, New  
9 York (project numbers 012-33501 and 012-33512).

10 CONSOLIDATION OF LOW-RENT PUBLIC HOUSING PROJECTS  
11 IN THE DISTRICT OF COLUMBIA

12 SEC. 1412. All projects now operated and maintained  
13 by the National Capital Housing Authority pursuant to title  
14 I of the District of Columbia Alley Dwelling Act are deemed  
15 to be low-rent housing projects and may be consolidated, pur-  
16 suant to section 15 (6) of the United States Housing Act of  
17 1937, into any contract for annual contributions covering  
18 projects maintained and operated pursuant to title II of the  
19 District of Columbia Alley Dwelling Act.

20 URBAN RENEWAL PROJECT IN GARDEN CITY, MICHIGAN

21 SEC. 1413. Notwithstanding the date of commencement  
22 of construction of the Florence Primary School in Garden  
23 City, Michigan, local expenditures made in connection with  
24 such school shall, to the extent otherwise eligible, be counted



1 as a local grant-in-aid toward the Cherry Hill urban renewal  
2 project (Mich. R-46) for purposes of title I of the Housing  
3 Act of 1949.

4 URBAN RENEWAL PROJECT IN SACRAMENTO, CALIFORNIA

5 SEC. 1414. Notwithstanding the date of commencement  
6 of construction of the storm drainage system in the Capitol  
7 Mall Riverfront urban renewal project (Calif. R-67) in  
8 Sacramento, California, local expenditures made in connec-  
9 tion with such storm drainage system located in that project  
10 shall, to the extent otherwise eligible, be counted as a local  
11 grant-in-aid toward that project for purposes of title I of the  
12 Housing Act of 1949.

13 SELF-HELP STUDIES

14 SEC. 1415. (a) Section 207 of the Housing Act of 1961  
15 is amended by inserting after the words "improved means"  
16 the following: " , including the study of self-help in the con-  
17 struction, rehabilitation, and maintenance of housing for low-  
18 income persons and families and the methods of selecting,  
19 involving, and directing such persons and families in self-  
20 help activities,".

21 (b) The Secretary of Housing and Urban Development  
22 shall make a report to the Congress, within one year after  
23 the date of enactment of this Act, setting forth the results of  
24 the self-help studies and demonstrations carried out under

1 section 207 of the Housing Act of 1961, together with such  
2 recommendations as he deems appropriate.

3 EARTHQUAKE STUDY

4 SEC. 1416. Section 5 of the Southeast Hurricane Dis-  
5 aster Relief Act of 1965 is amended by striking out "three  
6 years after the appropriation of funds for this study" and  
7 inserting in lieu thereof "June 30, 1969".

8 HOME OWNERS' LOAN ACT OF 1933

9 SEC. 1417. (a) Section 5 (b) of the Home Owners'  
10 Loan Act of 1933 is amended to read as follows:

11 " (b) (1) An association may raise capital in the form  
12 of such savings deposits, shares, or other accounts, for fixed,  
13 minimum, or indefinite periods of time (all of which are  
14 referred to in this section as savings accounts and all of which  
15 shall have the same priority upon liquidation) as are author-  
16 ized by its charter or by regulations of the Board, and may  
17 issue such passbooks, time certificates of deposit, or other  
18 evidence of savings accounts as are so authorized. Holders of  
19 savings accounts and obligors of an association shall, to such  
20 extent as may be provided by its charter or by regulations of  
21 the Board, be members of the association, and shall have such  
22 voting rights and such other rights as are thereby provided.  
23 Except as may be otherwise authorized by the association's  
24 charter or regulation of the Board in the case of savings



1 accounts for fixed or minimum terms of not less than thirty  
2 days, the payment of any savings account shall be subject to  
3 the right of the association to require such advance notice,  
4 not less than thirty days, as shall be provided for by the  
5 charter of the association or the regulations of the Board.  
6 The payment of withdrawals from savings accounts in the  
7 event an association does not pay all withdrawals in full  
8 (subject to the right of the association to require notice)  
9 shall be subject to such rules and procedures as may be pre-  
10 scribed by the association's charter or by regulation of the  
11 Board, but any association which, except as authorized in  
12 writing by the Board, fails to make full payment of any with-  
13 drawal when due shall be deemed to be in an unsafe or  
14 unsound condition to transact business within the meaning of  
15 subsection (d) of this section. Savings accounts shall not be  
16 subject to check or to withdrawal or transfer on negotiable  
17 or transferable order or authorization to the association, but  
18 the Board may by regulation provide for withdrawal or  
19 transfer of savings accounts upon nontransferable order or  
20 authorization.

21       “(2) To such extent as the Board may authorize by  
22 regulation or advice in writing, an association may borrow,  
23 may give security, and may issue such notes, bonds, deben-  
24 tures, or other obligations, or other securities (except capital  
25 stock) as the Board may so authorize.”

1 (b) Section 5 (c) of the Home Owners' Loan Act of  
2 1933 is amended—

3 (1) by striking out “shares” in the first sentence  
4 and inserting in lieu thereof “savings accounts or securi-  
5 ties”; and

6 (2) by inserting after the first semicolon in the  
7 second proviso the following words: “or in time deposits,  
8 certificates, or accounts of any bank the deposits of  
9 which are insured by the Federal Deposit Insurance  
10 Corporation;”.

11 (c) Section 5 (c) of such Act is amended by adding  
12 immediately after the second paragraph thereof the following  
13 new paragraph:

14 “Without regard to any other provision of this sub-  
15 section, any such association may make and invest in any  
16 loan not exceeding \$5,000—

17 “(A) for the repair, equipping, alteration, or im-  
18 provement of any real property, including the construc-  
19 tion of new structures related to residential use of the  
20 property, or

21 “(B) for the purpose of mobile home financing,  
22 subject to such prohibitions, limitations, and conditions  
23 as the Board may by regulation prescribe.”

24 (d) Section 5 (c) of such Act is amended by adding at  
25 the end thereof a new paragraph as follows:



1       “Any such association may invest in loans, or interests  
2   in loans secured by loans, obligations, or investments in which  
3   it has any statutory authority to invest directly.”

4                   FEDERAL HOME LOAN BANK ACT

5       SEC. 1418. Section 12 of the Federal Home Loan Bank  
6   Act, as amended (12 U.S.C. 1432), is amended by inserting  
7   “(a)” after “SEC. 12.”, and by adding at the end thereof a  
8   new subsection as follows:

9       “(b) Subject to such regulations as may be prescribed  
10   by the Board, one or more Federal home loans banks may  
11   acquire, hold, or dispose of, in whole or in part, or facilitate  
12   such acquisition, holding, or disposition by members of any  
13   such bank of, housing project loans, or interests therein, hav-  
14   ing the benefit of any guaranty under section 221 of the For-  
15   eign Assistance Act of 1961, as now or hereafter in effect, or  
16   loans, or interests therein, having the benefit of any guaranty  
17   under section 224 of such Act, or any commitment or agree-  
18   ment with respect to such loans, or interests therein, made  
19   pursuant to either of such sections.”

20                   TECHNICAL AMENDMENTS

21       SEC. 1419. (a) Section 110 (c) of the Housing Act of  
22   1949 is amended by striking out “paragraphs (7), (8), and  
23   (9)” in the second unnumbered paragraph following the  
24   numbered paragraphs and inserting in lieu thereof “para-  
25   graphs (7), (8), (9), and (10)”.

1 (b) Section 110(d) of the Housing Act of 1949 is  
2 amended by striking out "clauses (2), (3)" and inserting in  
3 lieu thereof "clauses (2), (3), (7)".

4 (c) Section 110(e) of the Housing Act of 1949 is  
5 amended by striking out "and (9)" in clause (i) and insert-  
6 ing in lieu thereof "(9), and (10)".

7 (d) Section 1101(c)(3) of the National Housing Act  
8 is amended by inserting "from the beginning of amortiza-  
9 tion of the mortgage" immediately after "twenty-five years".

10 (e) Section 213(o) of the National Housing Act is  
11 amended by adding at the end thereof four new sentences  
12 as follows: "Moneys in the Cooperative Management Hous-  
13 ing Insurance Fund not needed for current operations of  
14 the fund shall be deposited with the Treasurer of the United  
15 States to the credit of the Cooperative Management Hous-  
16 ing Insurance Fund or invested in bonds or other obliga-  
17 tions of, or in bonds or other obligations guaranteed as to  
18 principal and interest by, the United States. The Secretary  
19 may, with the approval of the Secretary of the Treasury,  
20 purchase in the open market debentures which are the  
21 obligations of the Cooperative Management Housing Insur-  
22 ance Fund. Such purchases shall be made at a price which  
23 will provide an investment yield of not less than the yield  
24 obtainable from other investments authorized by this sub-



1 section. Debentures so purchased shall be canceled and not  
2 reissued.”

3 (f) Section 810 (e) of the National Housing Act is  
4 amended—

5 (1) by striking out “private corporation, associa-  
6 tion, cooperative society, or trust” in the first sentence  
7 and inserting in lieu thereof “mortgagor approved by  
8 the Secretary”, and

9 (2) by striking out “corporation, association, co-  
10 operative society, or trust” in the third and fourth  
11 sentences and inserting in lieu thereof “mortgagor”.

12 (g) Section 220 (d) (2) (B) of the National Housing  
13 Act is amended by striking out “corporations restricted by”  
14 and inserting in lieu thereof “corporations or other legal  
15 entities restricted by or under”.





90TH CONGRESS  
2d Session

**H. R. 17989**

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# **A BILL**

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To assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development.

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By Mr. PATMAN, Mr. BARRETT, Mrs. SULLIVAN,  
Mr. REUSS, Mr. ASHLEY, Mr. MOORHEAD,  
Mr. ST GERMAIN, Mr. GONZALEZ, Mr. MIN-  
ISH, Mr. HANNA, Mr. ANNUNZIO, Mr. REES,  
Mr. WOLFE, Mr. HALPERN, Mr. FRIEDEL, and  
Mr. PEPPER

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JUNE 19, 1968

Referred to the Committee on Banking and Currency







House June 20, 1968

- 3 -

~~p. H5333~~

4. HOUSING. The Banking and Currency Committee voted to report (but did not actually report) H. R. 17989, to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development (p. D581). The committee was given until midnight Tues., June 25, to file its report (~~p. H5219~~).
5. MANPOWER; HUNGER. The Education and Labor Committee voted to report (but did not actually report) H. R. 15045, amended, to extend certain provisions under the Manpower Development and Training Act; and H. R. 17144, amended, to establish a Commission on Hunger. p. D581
6. VEHICLE SAFETY. Received from GSA a proposed bill "to repeal Public Law 88-515"; to Interstate and Foreign Commerce Committee. p. H5333
7. POVERTY. Rep. Berry spoke in support of the bill to grant a tax incentive to any industry which would move onto an Indian reservation and provide employment for the Indian people. p. H5219
8. LEGISLATIVE PROGRAM. Rep. Albert announced that on Mon. the House will consider bills on National Wildlife Refuge land disposals and use of the metric system, and on Tues. and the balance of the week the farm bill, the federal-aid highway bill and the Labor-HEW and legislative branch appropriation bills. pp. H5320-1
9. ADJOURNED until Mon., June 24. p. H5333

#### SENATE

10. APPROPRIATIONS. H. R. 17734, the second supplemental appropriation bill, 1968, which includes items for defense, increased pay costs for Federal employees, and grants to states for public assistance, was reported by the Appropriations Committee June 19, during adjournment (S. Rept. 1269). Attached to this Digest is a table showing the committee action on the bill.
11. HOLIDAYS. The Judiciary Committee voted to report (but did not actually report) H. R. 15951, to provide for uniform annual observances of certain legal public holidays on Mondays. p. D579

#### EXTENSION OF REMARKS

12. FEDERAL AID. Rep. Dellenback inserted portions of Gov. Rockefeller's address in which he proposed a "totally new system for distributing Federal funds to States and localities." p. E5649
13. EMPLOYMENT. Rep. Joelson expressed hope that the Senate would restore funds for the Equal Employment Opportunity Commission. pp. E5658-9
14. INFLATION. Rep. Berry inserted an article which shows that inflation has boosted taxes to the highest levels in history. pp. E5661-2



15. CENSUS. Rep. Nelsen proposed drastically cutting down the mandatory questions in the 1970 census. pp. E5663-4
16. MONETARY PROBLEMS. Rep. Rhodes, Ariz., commended and inserted a speech which presents a "perceptive analysis" of this Nation's monetary problems. pp. E5674-7
17. OPINION POLL. Rep. Minshall inserted the results of a questionnaire, including items of interest to this Department. pp. E5682-3

BILLS INTRODUCED

18. PERSONNEL. H. R. 18023 by Rep. Denney, to protect the civilian employees of the executive branch of the U. S. Government in the enjoyment of their constitutional rights and to prevent unwarranted governmental invasions of their privacy; to Post Office and Civil Service Committee. Remarks of author p. E56.  
H. R. 18025 by Rep. O'Konski, to amend title 5, United States Code, to provide a minimum civil service retirement annuity of \$100 a month; to Post Office and Civil Service Committee.  
H. R. 18035 by Rep. Tiernan, to amend the Civil Service Retirement Act to provide for the inclusion of accredited service of certain periods of sick leave; to Post Office and Civil Service Committee.  
H. R. 18036 by Rep. Tiernan, to equalize the cost of survivor annuities for spouse survivors, to base survivor annuities on amount of retiree annuities on date of death, to provide minimum annuities; to Post Office and Civil Service Committee.  
and H. R. 18042 by Rep. Pepper,
19. TAXES. H. R. 18022 by Rep. Reuss/ to provide that the tax surcharge and the expenditure control provisions of the Revenue and Expenditure Control Act of 1968 shall terminate as of January 1, 1969; to the Ways and Means Committee.
20. HONEY. H. R. 18024 by Rep. Harrison, to authorize the Secretary of Agriculture to make indemnity payments to honey producers for losses sustained by reason of the application of Government-approved insecticides on adjoining croplands; to Agriculture Committee. 468 72
21. DAIRY. H. R. 18029 by Rep. Stratton, to prohibit deceptive packaging or display of nondairy products resembling milk; to Interstate and Foreign Commerce Committee. Remarks of author p. H5325.
22. WEATHER. H. R. 18030 by Rep. Vander Jagt, to authorize the Secretary of Commerce to conduct research and development programs to increase knowledge of tornadoes, squall lines, and other severe local storms, to develop methods for detecting storms for prediction and advance warning, and to provide for the establishment of a National Severe Storms Service; to Interstate and Foreign Commerce Committee.
23. LANDS. H. R. 18033 by Rep. Miller, Ohio, to direct the Secretary of Agriculture to release on behalf of the United States a condition in a deed conveying certain lands to the State of Ohio; to Agriculture Committee.







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